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EDITORIAL

As We See It

"I return herewith, without my approval, Senate Joint Resolution 162. I have given earnest consideration to the many representations made me both for and against it. It is my judgment that to approve this resolution would be ill-advised, from the standpoint both of the nation and of our farm families as well.

* * *

"Specifically, the resolution would have such consequences as these:

"(1) It would pile up more farm products in government warehouses.

"(2) It would restrict the growth of markets.

"(3) It would postpone the day when agriculture can be released from the straitjacket of controls.

"(4) It would by-pass the problems of the small operator who produces so little for sale that price supports have scant meaning.

"(5) It would hold up the transition to modern parity and would in fact disregard the parity principle.

"(6) It would be unfair to those winter wheat growers who signed up under the 1958 acreage reserve program with the understanding that the price supports which had then been announced would be effective rates."

These are the opening sentences in the President's message vetoing the political plan to freeze farm price supports in this, an election year. We find ourselves unable to endorse all of the President's reasoning, but there is no question that this action required great political courage, notable

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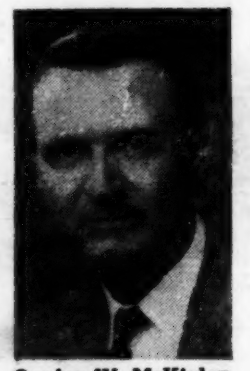
The Pace of the 1958 Business Recovery

By DR. GORDON W. McKINLEY*
Director of Economic and Investment Research
Prudential Insurance Company of America

Prudential economist avers intelligent action by Federal Government can make this recession's duration shorter than its two predecessors and achieve a fourth quarter G. N. P. at annual rate of $447 billion. Dr. McKinley concedes, however, that this good increase over present level still would leave unemployment above normal. Expects declining corporate demand for long-term capital and rising governmental financing leaving total demand at its present level for the year; sees possible fractional short-term interest rate decline, but long-term rates at year-end at present level; and doubts future years will present as attractive borrowing terms as now.

I want to discuss five questions: First, what caused the present business recession? Second, what has happened thus far in the recession? Third, what is likely to happen to business during the remainder of 1958? Fourth, when we are able to look back on this recession and compare it to the mild recessions of 1949 and 1954, will it prove to have been more severe or less severe than these previous business dips? Fifth, what is likely to happen in the money and capital markets during the remainder of 1958?



Gordon W. McKinley

Recession's Causes

Now for the first question—what caused the present business recession? The **immediate** causes—as distinguished from the basic cause—were (1) the decline in business capital expenditures, particularly expenditures on durable equipment, and

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*An address by Dr. McKinley before Commerce Trust Co. Correspondent Bank Conference, Kansas City, Mo., March 21, 1958.

Railroads Must Consolidate In Order to Survive

By JOHN W. BARRIGER*
President, Pittsburgh & Lake Erie Railroad Company
New York Central System

Head of Pittsburgh & Lake Erie Railroad explains why consolidation, and not coordination, is so urgently necessary if the industry is to survive. Mr. Barriger recommends reducing 132 primary railroads to 20, or less, as the only way to achieve annual savings of $1 billion "needed to preserve not only the physical and financial integrity of the . . . industry, but also to pay for its rapid modernization." Points out that this solution is a generation old, and requires departing from the coordination provisions of the Emergency Transportation Act of 1933 and returning to objective motivating the consolidation provisions of the Transportation Act of 1920.

The railroad industry is in a critical condition due to financial anemia brought on by over-regulation. Increased use of joint facility arrangements and joint services as a means for making substantial reductions in operating expenses has much to commend it in this emergency. It may be effected quickly, it obviates the curtailment of both service and maintenance standards, and does not require large capital investments.

John W. Barriger

Some of the elder members of the American Railway Engineering Association can recall the consolidation mandate of the Transportation Act of 1920. However, so many obstacles were placed in the way of railroad consolidation after 1920 that comparatively little was accomplished, and, in the response to repeated requests of the Interstate Commerce Commission, the requirements of the Transportation Act in these respects

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*An address by Mr. Barriger before the American Railway Engineering Association, Chicago, Ill., March 12, 1958.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Cinerama Productions Corp.—John R. Boland, President, John R. Boland & Co., New York City. (Page 2.)

Joy Manufacturing Co.—Robin L. Winkler, Partner, Bernard, Winkler & Co., New York City. (Page 2.)

JOHN R. BOLAND
President, John R. Boland & Co.
New York City

Cinerama Productions Corp.

Foreword

Dec. 20th, 1957 and Jan. 18th, 1958 may prove to be amongst the most important "milestones" in the development of Cinerama and the start of its real expansion the world over. On these dates the new and adjusted **partnership** contract between Cinerama Productions and Stanley Warner Cinerama Corporation, wholly owned subsidiary of Stanley Warner, was signed and the new contract with Cinerama, Inc. was consummated. This is a great step forward for Cinerama.

John R. Boland

Highlights of New Agreements

The new contract provides Cinerama Productions with the right to accept or reject any new theatre locations in the United States and Canada. In the case of acceptance, 50% of the cost is charged to Cinerama Productions Corp. and it shares the net profits on a 50/50 basis with the Stanley Warner Cinerama Corporation. If Cinerama Productions Corp. elects to reject the theatre locations as not satisfactory, in their opinion, all charges of the equipping and opening of the theatres is borne by Stanley Warner Cinerama Corporation. However, Cinerama Productions Corp. then receives 25% of the net profits of the theatre after the costs of installation and opening have been amortized.

The 50% production fee for moneys advanced by Stanley Warner for the making of Cinerama Productions has been drastically reduced to a fixed charge per picture of $250,000. This was made retroactive to "Seven Wonders Of The World" and "Search for Paradise," effecting a saving in the aggregate of over $2,000,000, 50% of which would otherwise have been charged against the Cinerama Productions Corp. account and, of course, 50% charged against Stanley Warner Cinerama Corporation's account.

During the showing of "Search For Paradise," the new contract provides income from the four theatres; New York, Detroit, Chicago and Los Angeles, amounting to 15% of the net to Cinerama Productions—15% of the net to Stanley Warner Cinerama Corporation and the balance of 70% of the net to amortize advances made to produce "Seven Wonders Of The World," "Search For Paradise" and the costs of opening new theatres, etc. The 10% of the net profit to Cinerama Productions—10% of the net to Stanley Warner Cinerama Corporation on the next eleven theatres in the United States and Canada, leaving 80% for amortization of debts incurred —(the production costs of present and new Cinerama pictures and opening of new theatres, etc.) remains the same.

Equally, if not more important, all disagreements with Cinerama, Inc. were settled and a new contract between Cinerama, Inc. and Stanley Warner Cinerama Corporation was signed and accepted by Cinerama Productions Corp. The royalty or rental basis was changed and Cinerama, Inc. now receives 5% of the gross box office receipts instead of 10% of the net profits plus rentals on equipment. The partnership, Stanley Warner Cinerama Corporation—Cinerama Productions Corp., relinquished the exclusive franchise for the production and exhibition of Cinerama Dimensional Pictures throughout the world, but continues operations on a non-exclusive basis.

With the relinquishing of the exclusive franchise to make and produce Cinerama motion pictures throughout the world, CINERAMA, at long last, **has been placed on a competitive basis.** That this competitive basis is already acknowledged by Stanley Warner is exemplified by the fact that Stanley Warner purchased five (5) sets of equipment for expanding the theatre chain abroad and has taken options on additional sets of equipment for opening of additional theatres on the American continent. With the new production, "Cinerama-South Seas," nearing completion, negotiations on an outstanding musical production and dramatic production are now underway; both to be financed by Stanley Warner for the joint partnership Stanley Warner Cinerama Corporation-Cinerama Productions Corp. This is only the beginning.

Cinerama Productions Corp.

Since Aug. 13, 1953, Cinerama Productions Corp. has come a long way. At that time the company was almost $3,000,000 in debt and its outlook was rather bleak and dependent entirely upon Stanley Warner's ability to expand the Cinerama situation through the production of outstanding Cinerama picture successes and the opening of theatres to increase the box office and net income of the Cinerama group of companies. During this period, Cinerama Productions paid off, out of income, all of its direct debts, it reduced its deficit for dividend-paying purposes from about $1,200,000 to about $100,000 at the present time.

For the first quarter of the current year, ended Jan. 31, 1958, the net profit of the corporation amounted to $227,000 or 23 cents per share. This figure is particularly significant when compared with past **fiscal year** per share earnings as follows: 1954, 16 cents; 1955, 27 cents; 1956, 17 cents; 1957, 32 cents. These earnings do not include the income from the theatres abroad which add substantially to the net profit balance in foreign exchange to Stanley Warner Cinerama Corporation-Cinerama Productions Corp. on a 50/50 basis. Blocked foreign exchange funds in Italy and Japan exceed $500,000.

With regard to earnings for 1958, although the first quarter ended Jan. 31, 1958 netted approximately 23 cents per share, or at the rate of slightly under $1 per annum, a most promising start for the curent fiscal year has been made.

Dividends on common stock in 1958 are entirely dependent on good theatre attendance. Continuation of present rate of earnings would eliminate deficit and build surplus out of which dividends could be paid. Alternative, unfreezing of foreign exchange credits to Cinerama Productions; 50% payment to Cinerama Productions would eliminate deficit, providing surplus for dividends. This is entirely dependent upon the present economic cycle.

Recommendation

The common stock of Cinerama Productions Corp. on a times earning basis appears decidedly undervalued at current market prices. With the present expansion program in effect, consisting of new productions now in the making and planning stages, the opening of new theatres both here and abroad and the prospects of independent producers entering the field, the outlook for the long pull is most promising and, in my opinion, the common stock is an outstanding speculation for appreciation and capital gains.

Being a director of Cinerama Productions Corp., it should be clearly understood that the opinions expressed herein are solely mine and mine alone, and it is not represented that such opinions are those of either the company or any other members of its management or Board of Directors.

ROBIN L. WINKLER
Partner, Bernard Winkler & Co.
New York City
Members New York Stock Exchange

Joy Manufacturing

The "Security I Like Best" is Joy Manufacturing common stock. Regardless of cyclical swings in the economy the demand for the company's products will be a steadily increasing one and therefore for the long term ahead the stock should go in one direction —up. Long a leader in the manufacture of machinery for the extractive industries, Joy Manufacturing has contributed to a revolution in mining whereby productive efficiency has been increased tremendously and the need for manpower greatly lessened.

Robin L. Winkler

Approximately 40% of Joy's total domestic sales goes to the coal industry, and although this represents a reduction of about 15% compared with 13 years ago, coal mining machinery is still the major product. There was a time not so long ago when some thought the coal industry would rapidly be replaced by atomic power and therefore had no growth aspects. Careful appraisal has amended this belief to the point where it is now believed to be a dynamic growth industry in which the demand for bituminous coal may require an increase of production during the next 15 years of almost 100%.

The Joy "Continuous Miner" first developed in 1947, which digs, loads and transports coal in one continuous process has truly revolutionized coal mining. Five years ago the average output per man per day was seven tons; today it is almost 11 tons. This figure compares with the current European average of 1¼ tons per man per day. Needless to say the demand for such machinery will increase as labor costs rise. The company has made many improvements in this machine since it was first introduced and addi-

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An Open Letter to Congress

By NEIL CAROTHERS

Dean Carothers, in no uncertain terms, asseverates Congress bears a culminant responsibility for causing recession and hindering recovery—by legalizing labor anarchy and spending astronomical sums for non-defense purposes, and challenges Congress to "start recovery in six weeks" by taking his two recommended steps. The Dean Emeritus of Lehigh University depicts Congress' tax-cut proposals as "a shameful deception of the voters" and decries other proposed cures. Author points out unions exist most strongly in "areas in which unemployment is greatest [and] depression is deepest"; denies workers cannot get fair wages except by force; and recalls last October's prediction which came true a trifle sooner than expected.

THE CONGRESS OF THE U. S.
Dear Sirs:

On Oct. 10 last the **Commercial & Financial Chronicle** published "An Open Letter to the President" which I had written. This letter had one purpose. That was to call to the attention of the President the ruinous effect of forced wage increases in the basic industries of this country.

Neil Carothers

In the "Open Letter" there were set down the truths about forced wage increases showing how they injure the entire economy, including the workers themselves. In this letter to you [members of Congress] these truths can only be listed, without the extensive statistical analysis of the previous "Open Letter." Here they are:

Lists Economic Truths

(1) Under free enterprise wages are automatically set by the contribution of the worker to production.

(2) This automatic setting of wage rates results in the highest possible production, employment, and wages and the fairest possible division of the national income.

(3) When enterprise is free neither employers nor wage earners can change these fair and proper wages based on the value of the workers in production.

(4) Wages can be artificially raised without reference to productivity by monopoly or by force, the chief instrument of force being the strike, which is a legally licensed destruction of property, production, and employment designed to force helpless enterprises to surrender.

(5) Forced wage increases reduce total production and total wages, desroy the balance between production and consumption, give a minority of workers unearned wages at the expense of lower-paid workers, and create a wage-price spiral of inflation.

Rationalization of Strikes

It is not possible here to discuss the excuses that are offered in defense of wage increases obtained by force. The chief ones are as follows:

(a) That there is a right to strike.

(b) That workers cannot get fair wages except by force.

(c) That it is justifiable to force wage increases if the employer is making profits.

(d) That unions have raised the wage levels of workers.

Every one of these propagandist excuses is wholly and provably false. You, the Congress, have established by law a "right to strike" and then contradicted yourselves by making it illegal for any Federal employee to strike. A government clerk getting $3,500 a year cannot strike. But you deliberately encourage a carpenter getting $6,000 a year on a vital defense job to strike for another $1,000. As for unions raising wages, the truth is that a few members of powerful unions have obtained very high wages at the expense of the lower-paid majority. Unions have lowered total wages. The wages of 40 million low-wage workers of America would be much higher if there had never been a strike for higher wages.

In my "Open Letter" I said that extortionate wages in a few basic industries had already caused a disastrous wage-price spiral of inflation. These basic industries are construction, mining, printing, transportation, steel production, and auto manufacture. The nation cannot live without buildings, fuel, publications, transport, steel, and automobiles. Consequently there is almost no limit to the unearned wages that can be clubbed out of helpless enterprises.

Recalls Prediction

In the "Letter" I said that if these unearned wage increases were not halted at once a tragic depression would result. I was a little off on my timing. I was certain that there would be a depression in 1958. Actually it came in late 1957. It seemed to catch you by surprise. Apparently you had the notion that "built-in stabilizers" would prevent depression. And you had passed a foolish jumble of words called the Employment Act, apparently on the theory that you could ensure a perpetual economic boom by incantation.

In the endless outpouring of your public statements about this recession I have been unable to see that any one of you knows what caused it. I will say in this connection that this is not a time for cheap political statements. A member of your Senate said publicly that President Eisenhower is

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Articles and News

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Kaiser Industries Corporation

By DR. IRA U. COBLEIGH

Enterprise Economist

Providing some evaluation of the common stock of this diverse enterprise primarily as a speculation in steel, aluminum and cement.

Anyone who ever stepped on the teeth of a grounded rake, and, as a result, got promptly whacked on the head by the handle, understands the principle of leverage. In somewhat similar plight, no doubt, are those patient folks who bought Kaiser Industries' highly leveraged common stock at 17¾ (its high for the past two years) and still own it at today's price of 8¼. Leverage is not exactly a many splendored thing but it surely is a two-edged sword.

Ira U. Cobleigh

And with these homely aphorisms we launch upon our topic for today, Kaiser Industries Corporation common stock, which acquires its market and earnings' leverage by virtue of being at the bottom or pointed end, of an inverted pyramid representing roughly $865 million of debt and preferred stock lying ahead. In respect to leverage, Archimedes never had it so good!

Wherever the name of Kaiser has appeared on our industrial scene, it has been associated with action and dynamics. The Kaiser shipyards in World War II sprang from nothing to leading producers of vessels. Equally, the corporate components of Kaiser Industries have come a long way, fast. Let's look at them one at a time, in the order of their magnitude.

First, aluminum. The postwar demand for this has been terrific and Kaiser Aluminum and Chemical moved swiftly from zero into major stature and large scale production. Of total annual production capacity in the United States and Canada, Kaiser Aluminum now accounts for about 18% (460,000 tons) and by the end of this year should attain a capacity of 600,000 tons. The equity of Kaiser Industries in this affiliate runs to about 45% through ownership of 6,641,000 of its outstanding common shares. At 24 (down from its 1956 high of 70) this holding has a market value of about $160 million.

What are the prospects in this, the largest single investment of KI? Obviously, although aluminum has been widely tagged as a "growth" industry, some of the bloom is off of it. Marketwise, earning-wise, price-wise (the recent 2c a pound price reduction was the first in 15 years) and because of substantial over capacity in relation to visible current demand, rampant bullishness about aluminum does not seem warranted. Over the long run, however, most analysts consider its prospects favorable because of (1) new and expanded civilian uses, in motor cars, structures, transportation, containers and electronics, and (2) increasing competitive inroads on other metals especially steel and copper (the recent price dip may help this). Nineteen hundred fifty-eight earnings of Kaiser Aluminum dipped from $2.72 in 1956 to $1.59 a share in 1957, but they can move rapidly forward again, when and if a more vigorous demand appears. This is an industry of rich companies and aggressive managements — there are no "weak sisters" or marginal producers.

The second major asset in the KI holding company echelon is 80% of the common (2,229,000 shares) of Kaiser Steel. Here is another energetic penetration into a growing industry, in this instance on the West Coast, where steel has been in chronic short supply with a sizable percentage being brought in from the East with transcontinental transport costs adding substantially to delivered prices. Before this year is out, Kaiser Steel will have expanded its 1957 capacity of 1,500,000 ton ingots by over 90%. Nineteen hundred fifty-seven earnings, benefiting by a tax loss carry forward, were $5.91 a share. Two years from now, assuming full use of expanded facilities, per share net might well move to $9 or more per share. Kaiser Steel common sells in the Over-the-Counter market at about 31¼ indicating a market value of KI holdings in it at $81 million, presently.

Permanente Cement is a big Pacific Coast building material enterprise with annual cement production capacity of 11 million barrels by the end of this year, and extensive production in insulating board products and gypsum. The stake of KI in this property is 39% of the 5,700,000 shares of common, which in turn are preceded by $30 million in debt. Probable earnings for 1958 are in the order of $1 per share and the common sells at 17¼. This works out to a market value of about $38 million for the total KI investment.

You are, of course, familiar with the typical motion picture announcement of coming feature attractions usually followed by the phrase "also selected short subjects." Well, having recited the feature attractions of KI, we come to its "selected short subjects" which include — Willys Motors, making jeeps and light utility trucks; a big sand, gravel and trap rock company, the largest aggregate supplier to Oakland and San Francisco; Kaiser Metal Products, a major supplier of enameled steel tubs, kitchen cabinets and sinks to Sears Roebuck; Kaiser Engineers, a large scale construction and engineering affiliate, plus a number of important real estate holdings.

Put these all together and you have a very big and diverse industrial empire. They represent, at today's prices, a total asset value of about $16 a share for the 23 million common shares of KI listed on American Stock Exchange and now selling at 8¼—almost a 50% discount from book value. Income from dividends and operations in 1958 was 70c a share on KI, while its proportionate share in undistributed profit in subsidiaries would probably boost the per share total to about $1.85.

Now obviously KI is not the stock one buys for dividend or investment purposes. (It pays no dividend.) It is rather a quite volatile stock, sensitive to market moods and to the basic trends in our economy. Because it represents a highly leveraged call on three major segments of industry, it does, however, have some interesting speculative possibilities, and gives today's market entrant a chance to become a stockholder at a price within a point of the historic low.

Moreover, one does not lack marketability in this issue since outstanding common shares are more numerous, by 700,000, than those of Union Pacific.

Most of the issues selected for discussion in this column are included on the basis that their earnings prospects for the instant year appear to be on the rise. That is not quite the case with Kaiser Industries, for there is no reason to expect per share net to advance in 1958 over 1957 figures. Earnings in fact have been in a downtrend. For example, Kaiser Steel earned $6.87 in 1956 against $5.91 in 1957; and in the same years per share net for Kaiser Aluminum receded from $2.72 to $1.59, while the Permanente Cement earnings remained about the same.

The share buyer, considering a position in KI at this juncture is asked to take a longer term view toward 1960 by which time much of the plant capacity now being added may strike pay dirt. KI is surely no overnight speculation. It requires patience, a confidence in the fundamental forward motion in our economy and in the resumption of more insistent demand for steel, aluminum and cement. Under the right climatic conditions in industry and the market, it is possible to envision KI common earning $3.50 a share and selling higher than it ever sold before. But not tomorrow! Kaiser Industries is a composite and kaleidoscopic speculation. It may present a brighter picture when things turn around.

Observations . . .

By A. WILFRED MAY

SOUND MARKET BEHAVIOR

The behavior of stocks during the first quarter of the year is highly significant for a number of reasons. First, it again demonstrates the fallacy of conceiving of movements of the market as a whole; particularly important during this period when the public is matching stock market and Recession forecasts. Since the turn of the year through Mar. 31, all active New York Stock Exchange listed issues rose by an average of 4.34%, in line with the gain of 4.43% by the Dow-Jones Composite Stock Average. But concurrently, as shown by data released today by the New York Stock Exchange, 142 of its issues declined; 30 issues showed no net change; declines of 20% were registered by 4 stocks; 16-20% by 5 issues; 12-16% by 8 stocks; and 8-12% by 22 companies.

A. Wilfred May

Four important groups, compiled by Harold Clayton, of Hemphill, Noyes & Co., declined; the rubbers by 10.4%; the electrical equipments by 4.9% chemicals 2.4%; and the aircrafts 1.9%. On the other hand, gains of 19.3% were shown by the cements; 15.4% by the textiles; and 13.2% by the airlines, among 26 groups working higher during the same period.

Divergence carried through strikingly to individual issues. As calculated by H. Hentz & Co., the following declines exemplify such performance midst the general rise:—King-Seeley 22%; Chickasha 21%; Douglas Aircraft 20%; Foster Wheeler 15%; Goodyear 13%; Thompson Products 11%; General Tire 10%. On the other side of the medal, some of the gains concurrently registered were:—Minute Maid 76%; Lorillard 58%; Babbitt 58%; Eversharp 46%; Walt Disney 42%; Republic Aviation 38%; and Philadelphia & Reading 34%.

A Longer-Term Attitude Adopted

A second interesting conclusion from the market's first quarter performance is found in the evidencing of greater than usual intelligence in the choice of industries. In lieu of chasing the business news, the investor tended to favor those industries presently in the business "dog-house." Thus the generally unpopular textile industry's issues rose 15.4%, the harassed airlines by 13%, the cancer-publicized cigarette stocks 13%, the auto-slump-hit installments 12%; and even the issues of the extra-depressed steel industry managed to score a 5% advance. No doubt it was assumed that the prevalent depressed prices of these issues adequately took into account its now unfavorable developments.

In contrast to these sizable rises, and even to the overall average, the shares of the 50 largest companies rose by only 1.8%. It is evident that the institutional buyers have been switching from their former holdings of "capital gain" Blue Chips to the higher-yielding issues of smaller companies. Thus, they too have been intensifying their approach of true investments.

* * *

BIG DOINGS IN THE FUND AREA

The current announcement of plans for the initiation of two large open-end investment companies, The One William Street Fund under the sponsorship of Lehman Brothers and the Chase Fund, a Massachusetts trust whose underwriting is being handled by Shearson, Hammill & Co., brings to mind at least one particular advantage derived from the purchase of shares in a newly formed fund. This occurs in the avoidance by the investor therein of the potential tax bill which the buyer of a previously existing fund automatically acquires at the time of purchase. This liability comes about through the already existing capital appreciation which has been built into practically all portfolios over the years, on which the new investor must pay the capital gains tax when it shall become realized. Such *ex post facto* inroad on the indicated asset value is not applicable to the buyer into a new fund.

Open- vs. Closed-End

By reason of the sponsorship and managership of the new William Street open-end fund by Lehman Brothers who also manage the long-existing closed-end Lehman Corporation, some aspects of the essential characteristic points of difference between the closed-end and open-end techniques are highlighted. As its sponsors have announced, the new open-end Fund will confine itself to readily marketable securities, listed or over-the-counter; while the closed-end Lehman Corporation's portfolio will continue to include "developmental" long-term capital gains situations. Also in line with the "fish-bowl" scrutiny which ensues from the continuing high-pressure promotion and distribution of the open-end units, and their more publicized scorekeeping, the managers will be running the portfolio of One William Street more "Blue Chippily," "safely," and otherwise popularly, than in their more "relaxed" role in administering the fixedly-capitalized Lehman Corporation. "Window dressing" may connote a naughty term, but it is important to recognize the extra pressures to which open-end managements are necessarily subjected.

Discount-Premium Implications

Also demonstrated by the new dual operation are vital aspects of the *discount*, namely the margin of the market price below the asset value present in most closed-ends; including its relation to the *load*, that is, the commission charge customarily borne by the open-end buyer. It happens that the 7½% maximum which is to be thus charged to buyers by the new Fund is substantially less than its counterpart in the form of the 11% *premium* at which its elder sister, the closed-end Lehman Corporation is selling on the market. But this Lehman Corporation premium is unique in the present-day markets for closed-end shares, practically all of which sell at discounts from asset value of from 10 to 20%.

It contrasts strikingly with the long-existing situation wherein Carrier & General, the one closed-end fund managed by Calvin Bullock, has been continually available on the New York Stock Exchange at a discount while five open-end funds under the same firm's aegis have been successfully sold with the usual commission.

The Lehman Corporation's new interrelationship with William Street with its "load" should have the effect of building-in and permanentizing the former's premium. It should also throughout the general market tend to close-up the existing discounts represented by the prices of the outstanding closed-end companies. In any event, it should bring the public to realize the great advantage offered to the buyer of any of the several closed-end companies that are still available at a sizable discount (on the assumption that the open-end's readier cashability does not compensate for the price differential).

Osborne, McAdams in NY Fund Campaign

Joseph G. Osborne, partner of Hayden, Stone and Company, is a group Chairman of Stock Exchange firms in the private firms division of the 1958 Greater New York Fund Campaign.

Walter J. McAdams, Jr., partner of Garvin, Bantel and Company, is a group Chairman of Stock Exchange firms in the private firms division.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Preliminary figures on retail trade for the country as a whole tend to show that the Easter sales volume will set a new high record, or at least approach the record level attained a year ago. For New York City, trade observers placed the gain in last week's sales volume at 5% to 10% above that of the similar week a year ago.

This week the United States Department of Labor released its report on the nation's employment situation and, in keeping with earlier predictions, it was in the main favorable, inasmuch as it showed that despite the increase in the number of jobless, total employment showed the first over-all gain since the downward trend in jobs made itself felt in the latter part of last year.

Employment rose to 62,311,000. Up 323,000 from a month earlier, it was only 2.5% below the year-ago figure which was the highest March employment on record.

Unemployment at mid-March totaled 5,198,000. This was 25,000 above the mid-February level and reflected by far the smallest month-to-month rise since the jobless began increasing last November. From October through mid-February, unemployment showed an average monthly rise of 670,000.

Most of the contraction in employment, as compared with a year ago, continued to be concentrated in durable goods manufacturing. It is there that manufacturers, loaded with a big buildup in inventories, have been sharply cutting production.

It was noted last week that personal income in February fell fractionally to a seasonally adjusted annual rate of $342,000,000,000 from January, but nonetheless was 1% above the similar level of a year ago.

This week it is learned that with respect to instalment credit, repayments during January and February of 1958 surpassed new borrowings by some $800,000,000, thereby trimming instalment debt down to $33,300,000,000 from December's record level of $34,100,000,000.

The foregoing is a healthy situation, since according to trade authorities, such credit in recent years has approximated 20% of the country's retail volume and the ability of the consumer to liquidate his outstanding indebtedness, is in itself, a very good sign and makes the economic picture of our country that much brighter.

For the month of February alone, consumers' instalment debt fell more than seasonally, according to the Federal Reserve Board, with most of the decrease attributed to lower sales of automobiles and other consumer durable goods. The decline during February amounted to $435,000,000, compared with a drop of $166,000,000 during the comparable 1957 month. At $33,300,000,000 consumer instalment debt outstanding at the end of February exceeded that of the comparable year ago period by about 6%.

The auto industry handed steel mills an extra big helping of bad news this week. Detroit has told steelmakers it will be buying only limited tonnages for the balance of the 1958 model year, "The Iron Age," national metalworking weekly, reported on Wednesday of this week.

"The Iron Age" added that this means that steel companies can expect little help from Detroit toward pulling out of the current slump before August or September. At that time, the automakers will be taking in steel for 1959 model production.

While not unexpected, the news from Detroit blasted hopes that the automakers would step up output in anticipation of a possible strike over new labor contract demands. Apparently the auto companies figure that current car inventories are enough to last for a long time, strike or no strike.

The national metalworking magazine stated that the depressed automotive market is largely responsible for the new wave of plant shutdowns and cutbacks in steel. The mills now figure there is little chance of an overnight spurt in steel demand, so they can afford to consolidate operations in more efficient plants. It was pointed out that the shutdown of a mill is such an expensive proposition that its probable duration must be long enough to justify the cost.

Steel men, this trade weekly continued, are consoling themselves with the thought that the market cannot get much worse than it is. But the fact is that no one is quite sure that the bottom has been reached. New order volume is still fluctuating from week to week, so there is no real evidence that an uptrend is in the making.

"The Iron Age" declared that the steel mills are still plagued by the inventory cutbacks of their customers. It is estimated this week that industry is buying about five million tons of steel per month, or one million tons less than it is using.

Market researchers differ on exact tonnages of steel in inventory, but they agree that stocks will soon be at the level which 1954 showed to be absolute rock bottom, "The Iron Age" stated. They will soon be half of last year's peak level, or around 12 to 13 million tons. Inventory liquidation has been the biggest factor in the steel slump.

From a steel shipments standpoint, some sources believe the turning point has been reached. April shipments are showing a slight improvement following a steady decline from January through March. At this rate, the steel operating rate should move up into the high 50's or low 60's in the current three-month period. But even this would be short-lived. Another slowdown is looked for in July before operations move up again. Assuming that automotive returns to the market in third quarter, the worst could be over by Labor Day, this trade publication observed.

"The Iron Age" stated further that the sagging steel market will get some help from the stepped-up roadbuilding program. The Bureau of Public Roads estimates that steel needs for highway use should increase by 300,000 tons over last year. This

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State of California and Its Finances

By ALAN K. BROWNE*

Vice-President, Bank of America National Trust and Savings Association, San Francisco, Calif.

California investment banker points out investment value and opportunities of his state's municipal bonds in reviewing: problems facing the state, how crises have been met in the past, and outlook for the future. Mr. Browne details various sources and kinds of bonds; expresses confidence in future ability to meet existing and successive state obligations; believes county bonds offer one of the most conservative and stable forms of Californian municipal debt; and expects more revenue bond issues now that a legal interpretation matter has been cleared up. Regarding floods and other catastrophic natural phenomena, author sees careful policies pursued minimizing detrimental effects to California municipal finance.

California was ceded to the United States by terms of the treaty of Guadalupe-Hidalgo, Feb. 2, 1848, following the Mexican War. Historically an area that had been a segment of new Spain under the Viceroys, claimed in part by England and Russia, liberated during the Spanish War of Independence and alternately administered by the Empire of Mexico and the Republic of Mexico, established as the Bear Flag Republic on June 14, 1846, under military government of the American forces from 1846 to 1850 and not waiting to be organized as a territory, drew up its own state constitution at Monterey in 1849 and was subsequently admitted to the Union as the 31st State in 1850.

Alan K. Browne

Thus, an area that had been the pawn of European Imperialism, vast in size and literally unknown, populated at one time by many tribes of indians, invaded by Spanish Conquistadores, followed by Jesuit and Franciscan missionaries visited by English and Russian fur traders and American trail blazers, literally exploded from a population of 6,000 prior to the discovery of gold at Sutter's Mill in 1948, to 85,000 in 1849, as the "Forty-Niners" flocked to the gold fields.

My brief reference to California's historical background is not to repeat classroom lessons, but to refresh memories as to why we have so many Spanish names prevalent in California and how and why population expansion first took place.

Pertinent Statistics

To further understand California's economy and growth, it is necessary to consider some of its vital statistics. In land area it covers 158,693 square miles, including all land and inland water. This is equivalent to the gross land area of the states of New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Maryland and Delaware, which 10 states total 148,772 square miles. Thus leaving enough room for another state the size of Vermont and four Districts of Columbia (9,785 square miles). It is only exceeded by Texas's 267,339 square miles.

In population it started in 1850 with 92,597, rising to 1,485,053 by 1900 and 10,586,223 in the 1950 census. It ranked 21st among the states in 1900 and second in 1950, with a 53.3% increase in population between 1940 and 1950. Population is currently estimated at 14,730,000 and projected to 15,860,000 by 1960.

*An address by Mr. Browne before the Municipal Bond Club of Philadelphia, Philadelphia, Pa., April 1, 1958.

Thus, it can be seen that California has size and it has population—all of which adds up to growth, expansion, need for increased and additional public services and improvements, and the funds to accomplish such objectives.

It is not my intent to discourse on a great many obvious statistical comparisons in order to point out California's agricultural products, industrial development and natural resources, nor to illustrate the level of personal income.

To me, the significant areas of interest to investors and dealers in municipal bonds, when looking at California's municipal credits, are:

(1) The laws covering the incurrence of indebtedness and repayment thereof.
(2) Sources of revenue for repayment of debt and limitation thereof.
(3) Record of debt payment and treatment of defaulted debt.
(4) Character of the population.
(5) Methods and procedures in selling municipal securities.
(6) Credit analysis and ratings.
(7) Activity in national and regional markets.
(8) Eligibility of securities for various fiduciary purposes.
(9) Fiscal agencies for payment of bonds and coupons.
(10) Local leadership in advocating sound municipal finance.
(11) Potential debt problems.
(12) Natural phenomenon.

Each of us may have additional indices of criteria and vary the order as I have outlined above, but essentially I believe the more important areas of consideration have been outlined.

First, let us look at the state of California's own financial picture. It is our prime credit and currently most prolific borrower. After which, we will review county debt, city debt, school district debt, and other special taxing and revenue-producing entities.

State Debt

Article XVI of the California constitution sets forth the limitations and method of incurring state indebtedness. In effect, the legislature is prohibited from creating debt which shall exceed $300,000 in the aggregate, except in case of war to repel invasion or suppress insurrection. The legislature may authorize debt by law for some single object or work, provide ways and means for debt service, but such law does not take effect until after submission to the electorate at a general election and a majority is received of all votes cast for and against the measure.

In practice, all state bonds are authorized by constitutional amendments voted upon at general elections and must receive an approving majority of all votes cast. Such procedure, of course, does not apply to revenue bonds and registered warrants and did not apply to debts incurred in connection with the Indian wars and Civil War.

The laws authorizing state indebtedness must provide ways and means, exclusive of labor, for the repayment of principal and interest thereon, within the life of the bond issue, not to exceed 50 years (formerly 75 years) from date of issue.

All voted general obligation bonds of the State of California are payable from the state's general fund, though revenues accruing in special funds for the benefit of specific projects may be transferred to the general fund to service related debt.

The only prior liens ahead of the state's general obligation bonded indebtedness are constitutional pledges for the support of the public school system and the state university (Article XIII, Sec. 15) and (Article IV, Sec. 34A).

The state is authorized under provision of article XIII of the state constitution to tax real and personal property among other forms of property not specifically exempted from taxation, in proportion to its value. The assessed valuation of the state for 1957-58, estimated at 28% of actual value, is $24,308,182,706.

Prior to adoption of a constitutional amendment in 1910, California's principal source of revenue was from property taxes. The amendment substituted, primarily, a public utility gross receipts tax. In 1935 this tax source was returned to local tax rolls and personal income and retail sales taxes, as the principal sources of state revenue, were substituted.

Thus, while there is authorization for the state to levy property taxes, no such tax has been levied since 1911, nor is there any machinery for the levy and collection of such taxes, except through local sources. In effect, the state's revenues are now tied to the business cycle.

Looking back to the early history of California, during the first decade of its existence as a state, the proceeds from the sale of state bonds were the main source of funds for financing the operation of the state government. Between

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The Construction Outlook

By D. D. COUCH*

Vice-President of Marketing and Commercial Development
American-Standard
(American Radiator & Standard Sanitary Corporation)

For the first time since December 1955, Mr. Couch states, a year to year comparison of construction activity has not shown a decline in current period. In analyzing the plus and minus signs in the industry's important segments, the American-Standard executive concludes that the prospect for modest gains in overall construction picture is encouraging providing confidence factor is maintained. Explains why residential housing in 1958 should gain 5% over 1957; sees major decline in industrial construction, 2% decrease in commercial construction, and 12% increase in hospital outlays; and envisions continuing gains in education, public utility and highway building. Hopes general confidence will emanate from business leaders to salvage harm done by conflicting and confusing statements uttered by political leaders.

My first impression upon reviewing my assignment of forecasting the course of the construction industry in 1958 was a feeling of satisfaction — knowing that our industry was headed in an upward direction and not downward like much of the rest of our economy. I felt fortunate in not having to discuss the outlook for steel, autos, labor, or commodity prices for 1958.

D. D. Couch

However, before I had completed my review of the construction industry outlook, I had formed a second impression. My attitude had changed. By then I knew I could not escape the ticklish task of also touching on the general business outlook in fulfilling my assignment.

Why? Because the construction industry represents such a potent and significant sector of our general economy that it cannot, single-handedly, lead the country out of the current recession as rapidly as possibly some in government believe. More about that later.

To the unbalancing effects of sputniks, influenza epidemics, election year, and a disturbed foreign situation, has now been added the depressant of a spell of paralyzing weather throughout most of the country, which has caused heavy agricultural losses, decreased industrial activity, slowed down construction, and aggravated unemployment. Many of the statistics now being reported for February are reflecting the adverse effect of the weather.

No one expected the January or February business news to be good. This torn of affairs will make the news worse than it would otherwise be. These extraneous influences also add to the difficulty of judging the character of the economic situation in itself. For example, a good part of retail sales cut by bad weather is only deferred, and the same is even more true of the delays in construction. On the whole, however, the weather must be included among the now considerable series of mischances that fortuitously have been timed so as to disturb public sentiment and intensify a cyclical movement.

First Trend Reversal

The momentum of construction activity, however, continues to provide the economy with its strongest supporting element. In the area of construction expenditures a stubborn, if modest, advance over the previous years which prevailed in January characterizes the February figures, and among the several categories of construction the plus factors are somewhat more numerous than they were a month ago. In particular, the increase in February's expenditures over 1957 for new dwelling units is most striking. Slight though the upturn is, it is notable as being the first time since December 1955 that a year-to-year comparison has not shown a decline for the current period.

While February shows a slight drop (2%) in a year-to-year comparison of residential alterations and additions, the preliminary January figure—which indicated a similar dipping over-the-year movement has been revised so that now a gain appears January to January. This is a welcome resumption of a past theme, supporting the findings of the latest University of Michigan survey of consumer intentions — that this area would draw an increasing share of the consumer's outlays in 1958.

The relatively good showing of housing starts in January, at an annual rate of 1,100,000 is, of course, a significant improvement. February starts however, reflect the prolonged spell of bad weather with the result that the annual rate in this month fell to 963,000 units. We don't have to look far to see that the underlying strength in housing persists even in the new starts in February. For example, while total starts were off 1.2% from February 1957—

Conventional starts were up 4.5% over 1957.

FHA starts were up 22% over 1957.

Public starts were up 85%.

Spring Housing Increase

The big drop occurred in the area of VA starts which were off 72%. Consequently, I predict that March and April will experience a better-than-seasonal improvement in new housing starts as a result of the weather-deferred home building.

In February private commercial building as a whole continued its mild downdrift, with office buildings up a little more and mercantile buildings down a little more from last year than was the case in January. Industrial building kept on sliding with slightly increased momentum; but non-residential, non-business types of construction retained a healthy advance as did public utility activity as a whole.

So, all in all, construction stands firmly in the plus column and promises to remain there. I am particularly pleased to report that we have promises that the delays in FHA processing will soon be corrected. FHA has obtained permission from the Budget Bureau to spend in advance of a supplemental appropriation; additional personnel is being employed; and fee appraisers are being used wherever the load is too great for the regular staff. Commissioner Mason states as his objective a processing period of one week. This will surely help.

Examines Various Segments

So much for the current picture—now let's take a look at the overall construction industry outlook for 1958 by its important segments:

We estimate:

	Billion $	% vs. 1957
Total construction	48.7	+ 3.2
Residential	18.2	+ 7.1
Non-residential -		
Industrial	3.3	— 9.0
Commercial (total)	3.5	— 2.4
Hospital & institutional	0.9	+12.6
Education	3.6	+ 7.3
Public utilities	6.1	+ 4.7
Highways	5.6	+16.0
Farm	1.5	— 6.2
Other	6.0	— 9.0

As you can see, there are both plus and minus signs in the outlook for 1958. Their presence, of course, is not accidental. The Construction industry reflects, or is affected by, nearly every important segment of our economy.

Not only does residential construction compete with other products for the consumer's dollar; not only does industrial building go up and down with capital expansion; but, just as important in a time such as now, construction becomes one of the major weapons of our government in its fight against a recession. With this in mind, let us now examine each segment more closely:

I. Residential Construction

My general feeling in this area is one of optimism for the coming year. I realize that many have expressed doubt as to the soundness of forecasting an upturn in housing at a time when industrial activity is off, unemployment high, and personal income is down. However, there are several sound reasons for expecting such an improvement:

An easing of the supply of money which in turn will make home mortgages more attractive to lenders.

Direct government assistance to all areas of residential construction, i. e. the pending Housing Bill in Congress.

The existence of a large backlog of housing demand as indicated by the latest low vacancy rate of 2.5%.

It must be conceded that no gain can continue in the housing industry for an extended period of more than a year or so in the face of a general business recession which is prolonged and severe. It would be too much to expect family incomes under such circumstances to be sufficient to support continued improvement in home buying. However, we must not forget the simple fact that it will take an economy far sicker than ours will be in 1958 to fail to react favorably to the anticipated improvement in the housing market and determined government assistance.

Here is my interpretation of how housing will shape up for 1958:

Conventionally financed starts: about 750,000—up 8.6% over last year.

FHA starts: around 220,000—up 31% over last year.

VA starts: 70,000—off 45%.

Public starts: 50,000—about the same as last year.

This gives us a total of 1,090,000 for a gain of 5% over 1957. This physical volume represents slightly more than $18 billion as compared with $17.1 billion in 1957.

Fortunately for some areas and unfortunately for others, this expansion in 1958 will vary by region. New housing in the northeastern and north central states will do well to equal the 1957 levels while in certain states, such as Texas, in the south and southwest new housing will continue at an even higher rate of growth than exhibited in 1957.

This encouraging growth in the residential market will have a beneficial effect on other allied industries. In recent years the home building industry has made remarkable gains in providing adequate housing for everyone. However, there is still a big job left to do. This industry must continue to stimulate a desire to live better; to enjoy more comforts and conveniences in the home. There has been a decided trend toward selling more comfort in the home by offering two bathrooms, air conditioning, built-in appliances, and other important features. This movement should, and will, continue in the year ahead.

II. Non-Residential Construction

It is this large area of the construction industry which reflects a number of conflicting forecasts —the most dominant being on the negative side:

Industrial Construction: One of the major declines this year will take place in the industrial building field, where expenditures will be off nearly 10% from 1957 or at about the $3.3 billion level.

The course of construction in this area is a continuation of the trend which started back in the third quarter of 1957. It was not primarily the effect of tight money in this market, it was more the result of the creation of surplus capacity which brought a slowdown in this business activity. Due to the extent of this excessive capacity, it is not expected that the rate of industrial construction will turn up much before the end of 1958.

Commercial Construction: A close look at the main components of this category reveals two diverse trends. First, office and warehouse building, as a result of the relatively low rate of vacancy and an easier money supply, will move up to nearly the $2 billion level or 1.6% above 1957. Of particular note is the spectacular office building boom in New York City. At present there are 5.7 million square feet of such construction underway with 14 million more planned.

However, stores, restaurants and garages will experience a slowdown in building activity from their recent high level since this market appears to have reached a temporary saturation point. When general business activity picks up, there will, undoubtedly, be a renewal of an upward trend in this area.

When all categories of commercial construction are combined, the total picture reflects a decrease of just a little more than 2% from last year.

Hospital Construction: Construction contracts for hospitals registered the biggest increase of all non-residential building in 1957, and I expect this upward trend will carry through in the year ahead. First, because last year the Public Health Service revealed that the bed shortage in the United States had risen to 889,000 units and that the acceptable beds in hospitals represented only 55.4% of total needs. On this basis, we expect that outlays for hospitals and institutional buildings will move up to $94 million in 1958 or 12% higher than in 1957.

III. Educational Construction

Notwithstanding the record-breaking number of schools currently being built, there are thousands of children who started the term last fall on a half-day basis. While the crush is probably less severe than it was a few years ago, there is no indication that the high tempo of school building is disappearing.

The explanation of this situation, as you probably know, lies in the existence of the high post-war crop of babies which is still pushing enrollment figures up and up.

Last fall about 1.3 million more pupils were enrolled in public schools than a year ago. Next fall another high increase will take place. On this basis we are forecasting expenditures of $3.6 billion for new school construction in 1958—over 7% above 1957.

IV. Public Utilities

Despite the general let-down in business activity, we anticipate that the $6 billion level of spending for privately-financed public utilities will be passed in 1958 for the first time.

The major reason for the continuance of this upward trend is that it generally takes three years for new utilities to move from the planning stage to actual production. Secondly, utilities are generally not affected by short recessions.

V. Highways

One of the most spectacular gains in the major construction areas during 1958 will be new highway building—up 16% over 1957 to a total of $5.6 billion. The direct cause of this marked increase is the 41,000 mile Federally-aided highway program established in 1956.

In addition to the gain in outlays for new highway construction, there will be a resulting beneficial effect on other building activity. New suburban areas will be opened up to new residential development while, at the same time, in urban areas, housing demolition will increase as a result of this new highway program and thus even further demand for new homes will be created.

Confidence Factor

Within a few years, when the number of households moves sharply up, 1,000,300 housing starts a year will be just as common as the million starts a year are today; other important areas such as educational construction will be straining to keep pace with the fast-moving population and our highway construction program will be rolling along at an increasing volume.

However, during this immediate period, when growth in our industry is limited to modest gains and when other segments of the economy are declining, much depends upon attitudes; the "confidence factor"—of which we so glibly speak, but about the motivation of which we know so very little.

One thing is sure: if general confidence is to be maintained, it must first of all emanate from the business leadership, since the political leadership seems unable or unwilling to master the technique.

In my humble opinion the White House statements, from the President and his aids, since the beginning of the year have done more harm than good. Conflicting and confused statements concerning the severity of the present recession and what corrective actions should be taken tend only to frighten the consumer, causing indecision and hesitation at the very time when they need to keep the wheels of industry turning by their purchases.

For example, "Time," headlined from your own fine city in its Feb. 4 issue, quotes a Dallas hardware dealer as saying: "I was talking to a friend of mine the other day. He's got a good job, makes good money, but he said there is so much talk about recession that he isn't going to buy that new car he'd been planning to get."

Semi-hysterical headlines take a deadly toll—but, in the words of that stern optimist, Paul of Tarsus, who declared under much grimmer circumstances, I say—"We are perplexed, but not in despair."

While the situation may not encourage nor justify a blithe cheeriness—neither does it warrant a

*An address by Mr. Couch before First Dallas Meeting of National Industrial Conference Board, Dallas, Texas, March 20, 1958.

surrender to the feeling apparent on the part of too many businessmen that there is no further need for plant improvement or that 62 million employed workers cannot be persuaded to maintain a high level of buying if the goods are attractive and the price is right.

Much, however, will depend upon the attitudes and actions of business managers, consumers, labor union leaders, and the Federal Government over the next few critical months.

I believe that business managers should remain level-headed and should show leadership initiative. We should bend every effort to correct those inefficiencies which have crept into our own businesses during recent periods of prosperity but have now become obvious weaknesses in times of economic setbacks. We should scrape off the barnacles which have formed on our business ships and slowed down our profitable growth.

We should solicit and cooperate with union leaders to attain intelligent solutions to such inefficient and costly malpractices as featherbedding, etc. Happily I have noted that certain construction industry and labor leaders have had a meeting of the minds and, both realizing this responsibility, have reached an agreement which could be a landmark on the road toward the elimination of restrictive practices. An intelligent policy on the part of union leaders is extremely important to both business and consumer confidence.

Yes, if we all (business, labor, and government) keep our wits—if we all realize our responsibilities in times of recession—then we will have secured that most important ingredient necessary to current and future prosperity, namely—**CONFIDENCE.**

Lester Gannon With Sherry, Maloney Co.

Lester F. Gannon has become associated with Sherry, Maloney & Co., Inc., 80 Wall Street, New York City, as manager of the trading department. Mr. Gannon was formerly manager of the trading department for the Jersey City office of Western Securities Corporation and Anderson, Randolph & Co. Prior thereto he was with Peter Morgan & Co.

Lester F. Gannon

Reynolds to Be Officer Of 1st Southeastern

ATLANTA, Ga. — John Cleveland Reynolds will become an Assistant Vice-President of First Southeastern Company, Trust Company of Georgia Building, members of the New York Stock Exchange, on April 17.

Bockskopf V. P. of Semple, Jacobs Co.

CHICAGO, Ill. — Joseph W. Bockskopf will become a Vice-President of Semple, Jacobs & Company Incorporated of St. Louis on April 17.

With Goodbody & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — William J. Gould, Jr., has become connected with Goodbody & Co., 140 Federal Street. He was formerly with Hanrahan & Co. and Schirmer, Atherton & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

The Administration is hopeful, and not without reason, that the Congress will be less panicky and more amenable to reason when it returns from its Easter recess. Most of the members are scattered to their homes for the purpose of feeling the pulse of their constituents. The Administration believes they will find these constituents far less excited about conditions in the country than the Congressmen themselves have been.

Carlisle Bargeron

The lack of discontented mail which the Administration has received causes the Administration to believe this. And it is a fact that before they left here the members were not receiving much complaining mail. It bewildered some of them. A high placed Senator expressed to me his deep concern. Remarking upon his lack of mail he wondered if the voters were passive, not as disturbed as he expected them to be or if they had just lost interest in him. This latter is doubtful because this particular Senator was reelected in 1956 by the highest majority he had ever received.

There is unquestionably unemployment out in the country and you would assume there would be a lot of discontent. But this has not been reflected in the mail which the Congressmen have been receiving. It baffles them.

It is a commentary on something that in these troubled times their only heavy mail has been on the question of subscription TV. On this, in a whipped up campaign by the TV networks, they have been literally deluged. One Congressman alone has received more than 15,000 letters. The House Interstate and Foreign Commerce received more than 50,000.

If all this can be taken as an indication of the voters' feeling it means that the people are not concerned about being unemployed or about Russian missiles or even about the farm situation, but they are deeply concerned about paying for TV which they now receive free. It is not a proposition of anybody having to pay for TV as has been represented. Subscription TV would be purely supplemental and offered only to those who want the programs which subscription TV would offer.

But the agitation of the networks has been wholly to the contrary and it is on this question that the Congressmen have been flooded with mail. I have been frequently asked if letters to Congressmen mean anything.

Well, on this subject not a single Congressman to my knowledge has sat down and written his constituent that he has been misinformed, that the blacking out of free TV is not involved. The tendency has been for Congressman after Congressman to issue a statement saying he is unalterably opposed to subscription TV. Seventeen have introduced bills to prohibit subscription TV. There is not the slightest doubt that if one came to the floor, the House would pass it overwhelmingly, voting to throttle a new industry without giving it a chance to prove itself. Proponents of prohibitory legislation might have a little more difficulty in the Senate but even there with 33 Senators being up for reelection it would probably pass.

I doubt if there is any better commentary on the American political scene than this. It explains why the Congress panicked when the Russians launched their first sputnik. Their stampede at the time gave considerable cause for alarm on the part of thoughtful persons that we would turn the country and our defense completely over to the scientists, making all of them generals of the first rank with an unlimited amount of money.

As it is, additional billions have been appropriated for not only applied science or hardware as former Secretary of Defense Wilson called it, but for pure or basic or dreamy science as well. But the stampede seems to have been checked and we are getting out of the mess in a much better way than was anticipated. Senator Lyndon Johnson, the majority leader of the Senate, was a party to this stampede but he seemingly has cooled down.

Johnson's goal now, along with that of his fellow Democrats, is more anti-depression measures, meaning more Federal spending. It is on this score the the Administration hopes the members will return from their Easter recess greatly calmed down. Their lack of complaining mail before they left here may prove this to be the case.

With Stone & Youngberg

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.— Harold B. Newman has become associated with Stone & Youngberg, Russ Building, members of the Pacific Coast Stock Exchange. He was formerly with E. F. Hutton & Company.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Energy—Review—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Letter (No. 36) with comments on British uranium purchases from Canada, growing atomic navy, atomic equipment market, Preston East Dome Mines and Algom Uranium Mines—Atomic Development Mutual Fund, Inc., 1033 30th Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter**.

Business Outlook for Japan in 1958—Review—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Business and Securities—Outlook—Shearson, Hammill & Co., 3363 Via Lido, Newport Beach, Calif.

California Bond Financing — Booklet describing California's financial situation and economic conditions in the state—Treasurer's Office, Sacramento, Calif.

Coffee Economics—Analysis in current issue of "Latin-American Business Highlights"—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Current Business Cycle & Industry Trends—Analysis in current "Securities Outlook" pamphlet—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Favorite Fifty—Analysis by dollar value of listed stocks most popular with professional management—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Food Chains — Analysis — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. In the same bulletin are discussions of **A. J. Bayless Markets Inc. and the Great Atlantic & Pacific Tea Company of America.**

Glass Container Industry—Analysis with particular reference to **Anchor Hocking Glass, Owens Illinois Glass,** and **Thatcher Glass.**—Baker, Weeks & Co., 1 Wall Street, New York 5, N. Y.

Heirloom Stocks for Income and Growth—With brief analyses of **American Can Company, American Cyanamid Company, General Telephone Corp., National Dairy Products Corp., National Gypsum Company** and **Standard Oil of New Jersey**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Smith, Kline & French Laboratories.**

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Portfolios for income or growth—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Consolidated Foods Corporation.**

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

San Diego Business Activity—Union-Tribune Index—Inquiries should be addressed to Irvine W. Reynolds, Union-Tribune Publishing Company, San Diego, Calif.

Television — Analysis with particular reference to **Columbia Broadcasting System** and **Zenith Radio Corporation** — H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Missouri Kansas Texas Railroad.**

World Wide Television—Discussion in April issue of "The Exchange"—The Exchange Magazine, Dept. TB-9 (7), 11 Wall Street, New York 5, N. Y.—10c per copy, $1 per year. Also in the April issue are a discussion of **International Equity Financing** and a list of quarterly dividend payers of more than 25 years.

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American Cement Corp.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

American Insurance Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is an analysis of operating results as of March 31, 1958 of **New York City Bank Stocks.**

Automatic Canteen Co. of America — Data — Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Chase Manhattan Bank, Foster-Wheeler Corporation, Philadelphia Electric Company,** and **Union Oil Company of California.**

Beatrice Foods, Inc.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are brief analyses of **Pillsbury Mills, Inc., Standard Brands, Inc., General Portland Cement Co., National Cash Register, National Tea Co., Cleveland Electric Illuminating Co.,** and **Rochester Telephone Co.**

Beneficial Standard Life Insurance Company—Study—Robert H. Huff & Co., 210 West Seventh Street. Also available are studies of **Life Insurance Company of Virginia, National Life & Accident Insurance Company, Travelers Insurance Company, Aetna Casualty and Surety Company** and **Aetna Fire Insurance Company.**

Bowser, Inc.—Analysis—Penick & McClure, Inc., Kirby Building, Dallas 1, Tex.

Canada Cement Company Limited—Analysis—McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Canada.

Carter Products—Analysis—Gruntal & Co., 25 Broad Street, New York 4, N. Y.

Chivor Emerald Mines, Inc.—Report—B. S. Lichtenstein and Company, 99 Wall Street, New York 5, N. Y.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Cluett, Peabody & Co., Inc.—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Columbia Gas System—Memorandum—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Equitable Credit Corp.—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

General Public Utilities Corporation—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **Commonwealth Edison Company.**

I T E Circuit Breaker Co.—Analysis in "ABC Investment Letter"—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. In the same circular are data on **Sunray Mid Continent Oil Co., Montana Dakota Utilities Co., Colgate-Palmolive Company, Coastal States Gas Producing Company,** and **Rochester Telephone Corp.** Also available is the current tabulation of Amott-Baker Real Estate Bond and Stock Averages.

Kansas City Southern—Report—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Walter Kidde & Company Inc. — Analysis — Muir Investment Corp., 101 North St. Marys, San Antonio 5, Tex.

Lone Star Cement Corp.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

National Dairy Products Corp.—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Columbia Broadcasting System, Inc.** and **Alleghany Corporation,** and a memorandum on **Pacific Finance Corp.**

Pacific Finance Corporation—Annual report—Pacific Finance Corporation, 621 South Hope Street, Los Angeles 17, Calif.

Penn-Texas Corporation — Annual report — Secretary, Penn-Texas Corporation, 745 Fifth Avenue, New York 22, N. Y.

Philadelphia Transportation Company — Circular — Suplee, Yeatman, Mosley Co., Incorporated, 1500 Walnut Street, Philadelphia 2, Pa. Also available is a circular on **Brandywine Raceway.**

Red Owl Stores, Inc.—Study—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Wisconsin Public Service Corporation.**

St. Joseph Lead Company—Analysis—A. G. Edwards & Sons, 485 Lexington Avenue, New York 17, N. Y.

Virginia Electric and Power Company—Annual report—Secretary, Virginia Electric and Power Company, 700 East Franklin Street, Richmond, Va.

Securities Salesman's Corner

By JOHN DUTTON

NASD Policies Need Revision

An objective study of present day costs of operating a small or medium sized investment firm will conclusively prove that expenses of conducting the necessary operations of these businesses have been increasing constantly. Competent stenographic help costs more; experienced cashiering personnel demand and receive higher salaries because of the shortage of trained people in this field; outside accounting services and tax specialists must be employed at increasing cost as each year goes by; advertising, stationery, statistical and service periodicals all increase overhead; and rents, insurance, and interest costs have all been on the upgrade. Many smaller and medium sized firms have tried to reduce overhead but despite the most stringent efforts in this respect they are unable to increase their operating profit to a point where they can show a healthy growth and have funds available for expansion. Today many investment firms throughout the country are faced with red ink figures that are mounting month by month and the problem is serious.

Stock Exchange Has Raised Commissions Many Times Over The Past Twenty Years

It is a very different situation that exists in respect to the commission rates which prevail today as compared to those charged by New York Stock Exchange member firms in 1938. Here is a factual record of the way the members of the New York Stock Exchange have handled the matter of increased expenses and costs of doing business by realistically increasing their commission rates. It may be news to many but here is the record:

Year	Increase
1938	11%
1942	25
1947	20
1953	18
1958	13

These increases in commission rates have enabled member firms to continue to survive and even increase their services to the investing public. Without them it certainly appears that many member firms would have given up and discontinued their active servicing of investment accounts, or at least severely curtailed their activities.

NASD 5% Philosophy Straitjackets Sound Investment Merchandising

Despite the record that has been established by the member firms of the New York Stock Exchange in realistically adjusting their commissions to the inflationary conditions that exist today, the NASD has never relaxed their position regarding what is now termed the 5% philosophy. In certain cases examiners of the NASD have arbitrarily walked into member firms that have had a long and creditable career behind them of service to the investing public and have singled out isolated cases of stocks selling under $10, and under $5, and have penalized and criticized transactions that have exceeded 5% between the price paid for the security and the price at which it was sold. When you apply the 5% philosophy to stocks selling around two or three dollars a share the situation becomes even more unbearable, unsound, and oppressive. The records I believe will show that back in 1942 when the Securities and Exchange Commission did rule on certain markup policies advocated by the NASD that two opinions were made part of the record. One was that there was no 5% rule that governed markups in unlisted securities but that it was a figure that was to be taken around which a general philosophy of markups was to be established. The Commission stated that spreads in excess of 5% would not of themselves be the only controlling factor when it came to establishing a fair and conscionable markup. Certainly it was never intended that a 5% markup was to apply arbitrarily on two dollar stocks, or inactive special situations involving much work and expense in locating and putting together a willing seller and a ready, able and willing buyer.

The truth of the matter is that the Stock Exchange commissions represent a floor on rates and not a ceiling. No member is permitted to buy or sell on a lesser commission basis. The NASD should think along similar lines, too, so its members can keep financially sound. The best move it could make, with the exception of course of dropping the 5% philosophy altogether, would be to make a revision of its present markup policies of unlisted firms with the objective of realistically adjusting them upward in line with present day costs of running a small investment business that is dealing primarily with the investing public.

Schwabacher Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif.—Edward W. Schroeder is now with Schwabacher & Co., 930 State Street. He was formerly with John M. Flynn & Company.

Now Lamoreux & Co.

SEATTLE, Wash. — The firm name of Watson-Lamoreux, Inc., Fourth Avenue Building, has been changed to Lamoreux & Co., Inc.

A British Plan to Fight Depression

By PAUL EINZIG

Dr. Einzig recommends British Prime Minister Macmillan make perfectly clear there's no intent to obtain American financial aid in recent proposal designed to aid raw material producing countries overcome present difficulties arising from fall in raw material prices. Writer defends stand Britain should not participate directly in such aid on the grounds that, one, it would be unjustified; two, it would encourage excessive labor-wage demands; and, three, it would not lessen Labor Party's chances for a victory at next general election.

LONDON, England—The recent Washington visit of two British senior officials, Sir Leslie Rowan and Sir Robert Hall, gave rise to reports that Britain was sounding official American circles about the possibility of a large dollar loan to reinforce the British gold reserve. It is now understood that the visit was connected with a much broader international financial plan. Its outlines were indicated in a speech by Mr. Macmillan on March 31, in which he said that his Government was ready to apply measures necessary to prevent a slump, if and when such measures should become necessary, but there were limits to what Britain could do by itself, as regard must be paid to what Britain's reserves would stand. He added that collective security measures were called for in the economic as well as military field, because a slump would provide an opportunity for Communist subversion and intrigue.

Paul Einzig

"A steady growth and reasonable stability in the trade of the free world are absolute necessities if the free world were to stand," he continued. "We should not secure them unless we used to the full the available mechanism of international cooperation. Organizations like the O.E.E.C., the International Monetary Fund, and the International Bank for Reconstruction and Development must be used."

So far so good. Mr. Macmillan's words were undoubtedly wise, and his idea is sound. If the resources of the two Bretton Woods institutions were greatly increased and mobilized in order to assist raw material producing countries to overcome difficulties arising from the fall in raw material prices, there would be everything to commend such an action. But there could be no justification for an increase in the British gold and dollar resources in support of sterling under the disguise of a gigantic international transaction. Thirteen years after the end of the war in Europe Britain could and should maintain sterling without further American aid. Since the amount which the United States may be willing to contribute towards any international scheme is necessarily limited, it is essential that all of it should be made available to countries which need it much more than Britain.

Wants Clear Statement

Britain's position in the negotiations in connection with Mr. Macmillan's scheme would be incomparably stronger if the Government made it perfectly clear here and now that Britain would not want to use any part of the proposed dollar facilities for the purpose of strengthening her own gold reserve. Such a declaration could be made much more convincing if at the same time Britain were to repay all dollar credits and cancel all dollar facilities arranged in 1956 and 1957. Since the balance of payments has a surplus such facilities are not really needed. Their original object was to meet speculative attacks against sterling. But if the domestic economic situation in Britain is as sound as is sought to be conveyed by recent official publications there is no cause for speculators to attack sterling. With the recent increase in the gold reserve, the cancellation of all credit facilities would be feasible. It would be regarded as a sign of strength.

There is no smoke without fire. Speculators attacked sterling last summer not for their private amusement but because, quite rightly, they took a very pessimistic view about the effect of the inflationary increases of wages. If it should be possible to stop that spiral, speculators would have no cause for worrying about sterling, at any rate not until the next general election which is still far away.

The recent outburst of official optimism in Ministerial statements and Treasury publications is not likely to make it easier to hold down excessive wage demands. Until quite recently, official spokesmen and publications stressed the dangers that would threaten Britain if wage inflation were to continue. Now they stress price stability during the last few months, the increase of personal savings, the increase in British output, etc. The facts and figures remain the same, but their interpretation has subtly changed. If the latest official interpretation of Britain's situation is correct, speculators have no reason for distrusting sterling. In that case sterling would hold its own without any American support.

Would Encourage Higher Wages

Unfortunately it seems likely that the manifestation of official optimism will encourage the trade unions to hold out for higher wages. The change of official emphasis from urging resistance to inflation to foreshadowing measures against deflation is likely to produce the same effect, in spite of lip-service paid to the need for holding out against inflation just a little longer.

Above all, if the ill-advised change of tone of official propaganda should be followed up by the conclusion of arrangements for a powerful reinforcement of the dollar resources, trade unions would derive the utmost encouragement for pressing forward with their excessive wage demands.

Moreover, there is yet another aspect of this matter. At present the odds are strongly in favor of the Labour Party winning the next general election. The only hope for a last-minute change of heart by the majority of the British electorate would be their fear that a Socialist Government would mean a major financial crisis through a flight from the pound necessitating the reimposition of wartime controls in time of peace. But if the Conservative Government should arrange a large dollar loan the proceeds of which would be available to its successor in office, the electorate would become reassured that it would be safe to vote Labour, because the Socialist Government would be enabled to proceed with inflation and nationalization under the protective shelter of the large gold reserve resulting from American financial aid.

Unreasonable Request

It would not be unreasonable to expect the American taxpayer to finance an increased American contribution to the resources of the International Monetary Fund for the purpose of assisting the raw material producing countries embarrassed by the fall in prices. But it would be most unreasonable to expect him to finance socialism and inflation in Britain, even if he is asked to do so by an anti-Socialist Government which ought to know better.

Dollar aid to raw material producing countries without direct British participation in the proceeds would help indirectly, as it would enable these countries to maintain their imports. Any transaction that would mitigate the scarcity of dollars would help sterling, since it would reduce the extent to which transferable sterling and the British commodity markets are misused for securing dollar commodities. To secure such indirect help for sterling would be legitimate. But to ask for a British share in the American aid would have no justification. It would be both foolish and extremely undignified for the British Government to make an effort to obtain such aid.

Vincent Cioffi With Wilson Johnson & Higgins

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Vincent Cioffi has become associated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange. Mr. Cioffi was formerly with Morgan & Co. in Los Angeles and prior thereto was Costa Mesa, Manager for Evans, MacCormack & Co. In the past he was in the investment business in Florida and New York City.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Alfred F. Tisch, Fitzgerald & Company, New York City, Chairman of the National Advertising Committee of the National Security Traders Association, Inc., announces the appointment of the local affiliate Chairmen to the 1958 Advertising Committee.


Alfred F. Tisch


Homer J. Bateman


Wm. J. Burke, Jr.


Earl Hagensieker


Winton A. Jackson


Lex Jolley


Joseph E. Smith

Assisting Mr. Tisch as Vice-Chairman are Homer J. Bateman, Pacific Northwest Company (Exchange Building), Seattle, Washington; William J. Burke, Jr., May & Gannon, Inc. (140 Federal Street), Boston; Earl L. Hagensieker, Reinholdt & Gardner (400 Locust Street), St. Louis; Winton A. Jackson, First Southwest Company (Mercantile Bank Building), Dallas; Lex Jolley, The Robinson-Humphrey Company, Inc. (Rhodes Haverty Building), Atlanta; and Joseph E. Smith, Newburger & Co. (1401 Walnut Street), Philadelphia, Pa.

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Seattle Security Traders Association: Homer J. Bateman, Pacific Northwest Company, Terminal Box 3686, Seattle 24, Wash.

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Security Traders Association of Los Angeles: Ted D. Carlsen, Harbison & Henderson, 210 West Seventh Street, Los Angeles 14, Calif.

Security Traders Association of New York Inc.: John S. Barker, Lee Higginson Corporation, 20 Broad Street, New York 5, New York.

Security Traders Association of Portland, Oreg.: Dan V. Bailey, Foster & Marshall, Southwest Sixth Avenue at Oak Street, Portland 4, Oreg.

Security Traders Club of St. Louis: W. Jack Wickmann, Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, St. Louis 2, Mo.

The Securities Dealers of the Carolinas: Logan V. Pratt, R. S. Dickson & Co., Inc., Wilder Building, Charlotte 2, N. C.

Twin City Security Traders Association: Oscar M. Bergman, Allison-Williams Company, Northwestern Bank Building, Minneapolis 2, Minn.

INVESTMENT TRADERS ASSOCIATION

The Investment Traders Association of Philadelphia will hold their summer outing on June 20, 1958, at the Overbrook Country Club, Radnor Twp., Pa.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold their 23rd Annual Spring Outing on Friday May 16, 1958 at the Country Club of Maryland.

NASHVILLE SECURITY TRADERS ASSOCIATION

The Nashville Security Traders Association will hold its annual dinner and outing May 22nd and 23rd. A dinner at the Hillwood Club May 22nd will precede the outing which will be held May 23rd at the Belle Meade Country Club.

STANY VS. ITA OF PHILADELPHIA

The annual bowling tournament between the Security Traders Association of New York and the Investment Traders Association of Philadelphia will be held April 24 at City Hall Bowling Center, 23 Park Row, New York City. There will be a dinner following the bowling at the Grand Street Boys' Clubhouse, 106 West 55th Street, New York City, at 9 p.m. Tariff is $8.50 per person.

Reservations should be made with Sidney Jacobs, Sidney Jacobs Co., New York City.

A "Terrible Error," But . . .

"With unemployment grave, we are seeking to prevent a repetition of our terrible error of 1930. Using the jobless as the pretext, we then raised tariffs to unprecedented heights. This increased unemployment here and abroad. It provoked universal retaliation against us. It retarded world recovery from the Great Depression. Some authorities hold that the ratification of the Smoot-Hawley Tariff Act was a turning point in world history. The League of Nations survey of 1932 pointed out the part it played in deepening the depression and bringing on tariffs, quotas, embargoes everywhere.


Adlai E. Stevenson

"Nor is this all. It fostered the fatal drive toward self-containment that brought on the catastrophic political changes in Italy, Germany, and Japan, which precipitated the Second World War.

"It is no easy matter to make trade policy. For now, more perhaps than in the 1930's, it is clear that trade policy is foreign policy." — Adlai E. Stevenson.

The Smoot-Hawley Tariff was a "terrible error." Of that there can be no doubt.

It is also "no easy matter to make trade policy" —and certainly no easy matter to gain full support for good trade policy.

The law, extension of which is now being demanded by Mr. Stevenson and others, often tries to let us eat our cake and have it, too. Tariff and tariff laws are as controversial as ever—more's the pity.

COMING EVENTS
In Investment Field

April 11, 1958 (Toronto, Canada)
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hilton Hotel.

April 25, 1958 (New York, N. Y.)
Security Traders Association of New York Annual Spring Dinner at the Waldorf-Astoria.

May 1 & 2, 1958 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual Spring Party.

May 12-13, 1958 (Cleveland, Ohio)
Association of Stock Exchange Firms Board of Governors meeting at Statler Hotel.

May 16, 1958 (Baltimore, Md.)
Baltimore Security Traders Association annual spring outing at Country Club of Maryland.

May 22-23, 1958 (Nashville Tenn.)
Nashville Security Traders Association dinner at Hillwood Club, May 22, outing at Belle Meade Country Club May 23.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

June 13, 1958 (New York City)
Municipal Bond Club of New York 25th annual field day at Westchester Country Club, Rye, N. Y.

June 19, 1958 (Minneapolis-St. Paul)
Twin City Bond Club annual picnic and outing at the White Bear Yacht Club, White Bear Lake, Minn.

June 20, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at Overbrook Country Club, Radnor Township, Pa.

June 27, 1958 (New York City)
Investment Association of New York outing at Sleepy Hollow Country Club, Scarborough on the Hudson, Scarborough, N. Y.

June 27, 1958 (Philadelphia, Pa.)
Philadelphia Securities Association annual outling at the Overbrook Golf Club, Bryn Mawr, Pa.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

Birkenmayer Adds

(Special to The Financial Chronicle)

DENVER, Colo. — James H Gordon has been added to the staff of Birkenmayer & Co., 73 Seventeenth Street.

C. M. Hathaway Adds

DENVER, Colo.—Rhinehardt F Rethermel is now with C. M Hathaway Company, 1575 Sher man.

Utility Common Stocks as An Aggressive Investment

By FREDERICK W. PAGE*
Vice-President, Tri-Continental Corporation, N. Y. City

New York investment company manager urges public utilities to make their common stocks just as aggressive a holding for the investor as industrial stocks, particularly by obtaining a strong growth trend in per-share earnings combined with improved price-earnings ratios, in order to obtain capital at reasonable cost over the long run. Mr. Page compares per-share earnings of the D-J industrials to ten city and ten non-city utilities which show impressive gains of utilities over D-J index to demolish commonly held view that utilities are not growth situations but sluggish, defensive recession-retreat securities. Offers, on basis of 25 years experience, pointers on how to make utility stocks appealing to the market.

For several months the business adjustment has lent nervousness and uncertainty to the stock market, and many investors have been turning to utilities and consumer goods stocks as the safest haven for equity funds. In the months following October's market break I don't know how many times I heard financial people say that during these uncertain times they favored utilities as defensive securities. This line of thinking was brought to a head by an eminent and highly successful investment advisor who said that he did not approve of utility stocks because they were defensive securities and that no one did well from an investment point of view by buying stocks for defensive purposes.


Frederick W. Page

Being in constant touch with investors of all types, I am convinced that the popular conception of a utility is that its main investment appeal is its defensive characteristic. I have heard this thought expressed even more often in recent days.

I would like to quote three sentences that appeared in a January issue of a national business magazine.

"In addition, the utilities defensive story is so well known that most investors flock to them at the first sign of danger."

"More conservative analysts favor the big city utilities. For one thing there's not so much risk involved."

"In any case, utilities are being touted nowadays as a fine way to preserve principal and possibly make money in a market decline."

Market Action of Selected Utility Stocks

Just at the time that this line of thinking was reaching a vocal peak, we toted up the results of my firm's utility investments for the year 1957. During the year our utility common stocks had appreciated 8.3%. This compared with a decline of 12.7% for the Dow-Jones Industrial Average. This average is composed of some of the finest industrial companies in the nation. But, of course, one year's market action does not prove much.

We looked at a 10-year record and found the results comparatively even more favorable. The results of this period is shown in the accompanying Table I. In every single year our utility investments have shown some appreciation, and in seven of the ten years the appreciation has exceeded that of the industrials. For the full 10-year period our utility common stock investments have appreciated 277%. This compares with a 140% gain for the Dow-Jones Average.

Our portfolio of utility commons represents a broad list, and does not consist of just a few leaders that were chosen with the advantage of hindsight. Neither were the test periods handpicked. If a 2-year period is selected for the comparison, the utilities show a gain of 15.3% as against a 10.8% loss for the industrials. If we go back three years, the utilities are up 30.4%, and the industrials up 7.8%. A 4-year period shows utilities +65%, industrials +55%. For five years the utility gain was 76%, the industrial 49%. The further back we go, the better is the comparative showing. Going back to 1938, when we first started keeping records, our utility portfolio, benefiting from the breakup of the holding companies, has shown a gain of 955%, which compares with a 182% gain for the industrials. If this is defensive, we like it.

When utilities can do so comparatively well for the investor, why is there such a widespread feeling among investors and financial people that utility common stocks are sluggish, uninteresting, purely defensive securities? First, theory reasons that because they are regulated and limited in their return they cannot possibly have the upside potential of unregulated business. I believe that this thinking does not weight heavily enough the effectiveness of regulation by competition that is now very evident in many industries.

Divergence Among Utilities

However, the main reason why this belief in the sluggishness of utilities predominates is that it is true marketwise for a segment of the industry and, unfortunately, this segment includes most of the largest and best known utilities. But, there is a great divergence within the industry, and there are many utilities which can keep pace with the fastest growing industrials.

Goldman, Sachs & Co., New York City, in a pamphlet entitled "Investment Comment" issued Oct. 24, 1957, had an interesting table showing the earnings of six utilities as compared with those of six industrials which are considered "growth companies." While the growth in the utility earnings far outpaced that of the industrials, I found many "Doubting Thomases" who felt that exceptions could always be found, especially when hindsight was used.

In order to avoid this criticism, I made a study of the earnings and market history of two groups of utility companies. The first group consists of 10 of the largest, better known companies which are included in most utility market averages. For the most part they are the city utilities. The second group consists of 10 utilities whose stock we have owned throughout the period studied. For the most part they are not the stocks that are usually cited in growth studies. Unfortunately for us we did not own for the full period such outstanding stocks as Florida Power, Tampa Electric, Houston Lighting, Gulf States Utilities, Central & South West, Virginia Electric Power, Carolina Power & Light, Arizona Public Service, and Delaware Power, & Light. Consequently it is obvious that hindsight was not used.

If some of these stocks, which are acknowledged by most analysts to be growth stocks, could have been substituted for some of the stocks used in my figures, the results comparing the per share earnings of the Dow-Jones Industrials, the city utilities, and what I will call the non-city utilities, would be even more startling. Because some of the latter do not have a market history in their present form prior to 1950, my study starts with that year. The earnings of the non-city utilities have increased in every year except 1951 when they were slightly depressed by the reinstitution of the excess profits tax. In 1957 earnings were up 58% from the 1950 rate, giving an average annual rate of growth of 8.3% on a per share basis. The city utilities have not had as steady an earnings record, and the gain from 1950 to 1957 was 19%, or only a little over one-third of the rate of the non-city utilities. The industrials have had the spottiest record, and it is worth noting that the gain in earnings from 1950 to 1957, which was 21%, has been quite comparable to the city utility gain. To put it another way, there has been a wide divergence among the utilities, and yet the slowest moving utilities have been able to keep pace with the industrials during a seven-year period which included a minor war, tight money, and strong inflation, all of which are supposedly bad for utilities. The rate of increase in earnings of the non-city utilities during this period has been over two and one-half times that of the industrials. And still most investors will tell you that utility earnings are slow moving.

The market history of these same groups of stocks reveals divergent action between the two groups of utilities that is even greater in terms of market action than it was in terms of earnings. The industrial stocks have done much better than the city utilities marketwise even though their earnings record is no better than that of the city utilities. Thus, it is obvious that there has been a more substantial expansion in the price-to-earnings ratio of the industrials. The price-earnings ratios of the non-city utilities, while not up nearly as much as those of the industrials, are up more than those of the city utilities.

It is the comparatively poor market action of the most prominent utilities that has helped to convince people that they are right in considering utilities as sluggish, defensive securities. It is my opinion that the investing public has been sold a bill of goods on an idea that is not based on fact.

Why this discourse on investments rather than talking about financing? The reason is that I believe there is a real lesson to be learned from the long-range point of view. When I first approached this subject, it was suggested that I discuss 1958 utility financing. The die has already been cast in so far as this year's financing is concerned, and nothing I could contribute would make much difference in costs. From the long-range point of view there is much that can be done to assure ability to continue to attract capital and at reasonable costs. Many have already been pursuing the policies that I am going to recommend, and that is why so many of such securities are found in our portfolios. However, in order to try to buttress convictions and perhaps persuade a few skeptics, I am going to recommend various policies which I believe will keep financing costs at a minimum.

The Problem of Attracting Capital

There is no doubt that the industry is going to have to attract huge amounts of capital for as far ahead as can now be foreseen. In obtaining it you will be competing with many other savings mediums such as government bonds, municipal bonds, Federally insured mortgages, corporate bonds, and preferred stocks, and all other common stocks. Therefore, firms must make their securities as attractive or more attractive than these other securities. In order to do so, it is necessary to determine what the investor is looking for when he buys securities.

Bond and preferred stock buyers are undoubtedly looking for safety and yield. Fortunately, utilities can offer a high degree of safety on bonds and preferred stocks, but because of the abundant supply of these securities they normally will have to offer them at slightly higher yields than top grade industrials in order to attract buyers.

The motivations of the common stock buyer are more complex. This investor has always been interested in safety, yield and appreciation, but the weighting of these factors not only varies among investors but emphasis shifts from time to time.

Back in the 1920s the main motivation of the common stock buyer was appreciation. He wanted to get rich as quickly as possible, and he took undue risks to accomplish this aim.

Following the stock market crash in 1929, investors' emphasis changed completely to one of safety and yield. Many people deserted the stock market completely, claiming that would never again buy a share of stock. Their savings went into insurance, mortgages, savings banks, government bonds, municipals, and other forms of fixed income securities. Those who still invested in common stocks for the most part looked for safety and yield. The American economy had matured.

This same philosophy prevailed throughout the World War II years and the following five-year period. A depression was always just around the corner. During this period war bonds were the favorite vehicle for the investment of savings.

Beginning in about 1951 there developed a major shift in investment thinking. The outbreak of the Korean War convinced people that it was necessary to maintain a strong military establishment. This meant continuing high taxes and continuing inflation. At about this time war bonds began to mature and the public found that they had taken about as bad a beating in terms of purchasing value of the dollar as they ever had in the stock market. At the same time most common stocks were beginning to show substantial appreciation. As a result, yield, though still of importance to many investors, lost its significance for wealthy individuals who turned to tax exempt municipal bonds or stocks offering capital gains. Stability, too, lost its attractiveness to most investors in view of the continuing decline in the purchasing value of the dollar.

Appreciation Factor

Although there are still investors who are looking for yield and safety, the great bulk are weighting appreciation most heavily. The investing public has become convinced that the best way to soften the blow of high taxes and

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*From a talk by Mr. Page before the Southeastern Electric Exchange at Boca Raton, Fla., April 1, 1958.

Overcoming Pricing Problems Confronting Buyers and Sellers

By C. F. OGDEN*

Vice-President, The Detroit Edison Company, Detroit, Mich.

Detroit utility officer terms "paradoxical" the fact that consumer price indices remain up while employment and personal incomes are down. Mr. Ogden reminds industry that though it is a seller at one end of the production line it is a buyer at the other, and cautions against being priced out of the market. Advises buying realistically and competitively, and outlines basic schemes offering protection to buyers and sellers.

Risk is inherent in business. We do not want an economy so controlled that risk is eliminated. Without an element of risk there would be no challenge to stimulate creativeness and initiative. And creativeness and initiative are basic fibres in our way of life.

Chester F. Ogden

From the manufacturer's pricing viewpoint an undue risk of cost changes during the production cycle can only occur on items having a long manufacturing time—and then only if one or both of the following elements is present:

(1) We are in an inflationary cycle.

(2) Costs are not controlled within the limits of the original quotation.

The element that sellers fear most is the inflationary factor. During the past 100 years, we have gone through 24 cycles of business booms and business slumps. While the slumps have usually been characterized by declining prices, the over-all price movement has been upward.

Gainers and Losers

The question of who is contributing most to this dangerous inflation has been the subject of much controversy. It is interesting to note, however, that according to a recent study, the groups who have benefited most from inflation are business executives, professional people (doctors, lawyers, etc.), and union labor. Those who have suffered most are pensioners, teachers, and farmers. It is elementary that no buyer wants to destroy his suppliers. Likewise, no seller wants to price himself out of the market. Therefore, when long-term commitments are made in a period of ascending prices, most buyers agree that the seller is entitled to some form of reasonable protection. The problem becomes one of finding a protection method that is fair to both buyer and seller and still maintain the maximum emphasis on incentives to keep costs in line.

For there are definite dangers and hazards to our economy and the manufacturer in a system or formula that gives the manufacturer complete protection. It can make him complacent as to the need for cost control. It often eliminates the incentive that his managers have to find better ways of doing things. It can raise the prices to the point where new and unwanted competition enters the field. It can minimize his awareness of the need to deal with labor on a fair-firm basis—it is easy to grant outlandish demands if you believe someone else will pay the bill.

Protection Against Cost Increases

Now what are some of the tools that have been used as methods to protect against large cost increases during the production cycle?

1. Price in effect at time of shipment has been a popular method.

In this system the seller quotes a price at the time the order is placed but states that the actual billing price will be adjusted to the seller's published price changes up to the time the material is shipped. This method has been extremely popular with the large electrical equipment manufacturers and the steel companies. It has dangers from the seller's point of view in that it greatly minimizes the cost control incentive previously mentioned. It is obviously unsatisfactory to the buyer in that he does not know how much he is committed to pay. Further, the price at the time of shipment may completely fail to recognize the **cost** of manufacture. This is especially true if published prices are raised just prior to the shipping time.

2. An escalated price tied to published market indices.

This has the advantage of retaining the producer's cost incentive. However, there is a real problem in selecting the proper published indices. In many instances manufacturers have found that the published figures do not truly reflect actual conditions that they find in their own shops.

3. An escalated price tied to the manufacturers' actual costs.

To be effective, the buyer must have complete confidence in the seller. There is no simple way in which he can check his suppliers' material and shop labor cost figures without ponderous bookkeeping and auditing activities.

4. Cost plus a percentage fee.

This does offer the seller complete protection. However, again the buyer does not know the amount of his commitment. Further, the less efficient the producer is, the more money he makes. In addition, the system increases the bookkeeping work of both the buyer and the seller.

5. Cost plus a fixed fee.

This is designed to eliminate the fault in No. 4, whereby the seller makes more money by inefficiency. Otherwise it is subject to the same advantages and disadvantages as No. 4.

From the buyer's standpoint, it is the uncertainty of the final price he will have to pay that makes him view with concern any pattern of price increases during the term of the contract. To ease this apprehension, sellers sometimes offer percentage limits beyond which no escalation can be applied.

Further buyer concern results from the possibility that inefficiencies in the supplier's procurement, production, and distribution activities add costs against which escalation may legally be applied but which do not add to product value.

Other Basic Schemes

There are, of course, many variations to these five basic schemes which have been briefly outlined, such as incentive fee and profit sharing contracts.

In certain types of business, hedging offers a measure of protection. The practice of hedging, however, is limited to buyers of commodities that are traded on future markets, and this offers little protection to the manufacturer of machinery or equipment where the material component of future traded commodities is small.

While the seller is interested in protection against rising markets, the buyer obviously is interested in protection not only against unwarranted increases but also against declining markets. When the buyer thinks prices may decline he may want to use one of the five escalation methods mentioned, or some variation thereof, for his protection.

There are occasions when a seller may be interested in protecting the buyer against price declines. He may want to protect a long-standing relationship. He may want to be sure his buyer remains in a good competitive position. Obviously if the buyer is a retailer and is stuck with high-priced inventory, he may go bankrupt, thus eliminating the seller's market. The same may be true of a manufacturer who is priced out of the market because he pays too much for the material he buys. Thus there are many occasions when both parties are interested in protection against price declines.

Paradox of Today

Today, in discussing prices, we find ourselves in a peculiarly paradoxical dilemma. Employment is off; personal income is down. Finished goods inventories are high and begging for markets. Industrial and commercial buyers have shortened lead time on required items to a hand-to-mouth basis. Order backlogs have disappeared in most lines.

In spite of all this, consumer price indices remain up. The price curve, which since World War II has accelerated in an inflationary spiral never before seen, has not reversed in line with the depressed curves of the other business indicators. Buyers are taking advantage of the only kind of protection they are really sure of —they aren't buying. This is hurting us as witnessed by the current business lull.

It is evident, therefore, that the pricing problem we are discussing here is of great importance. The problem faces us all. For where we are sellers at one end of our production lines, we are buyers at the other. If we are to price realistically and competitively, we must buy realistically and competitively.

One risk we can't afford is to **price** ourselves out of the market because we allowed ourselves to be **costed** out of competition.

*From a talk by Mr. Ogden before American Management Assn's special conference on competitive pricing, New York City.

E. J. Roberts Branches

BOONTON, N. J.—E. J. Roberts & Company has opened a branch office at 10 Welsey Square, Ridgewood, N. J. under the direction of George W. Reich, Jr., and at 50 Bennett Place, Amityville, N. Y., under the management of Erica Donovan.

With Illinois Mid Cont

(Special to The Financial Chronicle)

CHICAGO, Ill.—David E. Bee, Robert A. Brogan, Scruggs A. Colvin, Kenneth R. Gorgal, Robert L. Livett and Tedd T. White have become connected with Illinois Mid Continent Investment Co., 676 St. Clair Street.

Powell With Stein

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — James B. Powell is now affiliated with Ervin E. Stein Investment Company, 1414 Broadway. He was previously with Schwabacher & Co. and Harris, Upham & Co.

Productive Maintenance Now to Meet Future Production Needs

By C. E. SUTTON, JR.*

Manager-Marketing, Service Shops Department
General Electric Company

G. E. marketing manager foresees booming economy with proper productive maintenance of machines creating a vastly expanded source of new jobs and helping to achieve more products for more people with more money. The achievement of this, Mr. Sutton claims, presents many challenges to management since labor force will increase but 10% while production required will be up 40%. The answer is said to lie in increased mechanization and electrification of production with larger and more complicated machines.

Productive Maintenance is a carefully engineered maintenance program, tailored to a particular plant and designed with only one goal—to keep unscheduled down-time to a minimum so that optimum production and hence optimum profit may be realized from the investment in plant, tools, equipments and machinery. Such a concept concedes that equipment can and will fail unexpectedly and at most inopportune times. However, a properly planned program has anticipated the unexpected failure and as a result the **total cost** of the failure is minimized.

C. E. Sutton, Jr.

Although a maintenance program is available today that can keep pace with our dynamic industrial economy, management in too many plants feels that we shouldn't rush in too fast and change from practices of long standing. Such thinking must be changed—time has already run out — **the time is now** — for the change to be made. To get the full sense of urgency, let's stop for a moment and analyze some of those factors which will influence industrial activity in this country.

Looking ahead—we must look beyond the recession which is now with us—let's project our thinking into the next two-to-ten-year period.

More Than Home Pay

The first indicator which points out a trend line for industrial activity is the steadily rising per capita income after taxes. Recent studies by the Department of Commerce show that the per capita income after taxes for the year 1930 was $971. By 1955 this figure had risen to $1,638 with a forecast of $1,992 by 1965 and approximately $2,200 by 1970. All of these figures are expressed in terms of constant 1955 dollars so that the 36% increase from 1955 to 1970 represents an actual increase in net income. More income means more consumer purchasing power which creates the demand for more products.

More New Products and Markets

Everyone is familiar with the old quotation, "Curiosity Killed the Cat." This phenomenon may have put an end to the cat but it is the actual life blood of healthy industry in this country. Industrial curiosity, or research and development, has been rapidly developed as a result of our highly competitive economic system. In today's market, if an industrial concern isn't equipped with a large bump of curiosity then its progress will cease as the competitors race ahead.

Up until World War II research and development had been a very minor item in most industrial budgets. In 1941 this country was spending less than $1 billion for research and development and most of this expenditure was by the government. However, by 1956 private industry's bill for this item had soared from practically nothing to about $6 billion. McGraw-Hill estimates that by 1960 all industry will spend almost $9.5 billion—an increase of better than 50% in four years.

As a result of this tremendous investment in "research" it is predicted that in the year 1960—**10% of all sales made will be new products—i.e., products that are not being manufactured or offered for sale today.**

For example, in the field of electrical machinery 18% of 1960 sales will be new products, for the pulp and paper industry 9% and for transportation equipment 37%.

In the field of electronics, one of the industrial "newcomers", it has been estimated that 40% of the electronic products expected to be in production ten years from now—**have yet to be invented.**

In his recent speech at Dallas, Mr. R. J. Cordiner, in commenting on industrial research stated:

"This 10 billion dollar industry is not only a big business in itself, but it is the creative source of new knowledge, new products and new industries to provide employment for millions."

Just recently the Chairman of Cities Service Company estimated that the U. S. will spend $20 billion in 1962 for new plant and equipment **as a result of research made in 1957 alone.**

An unusually dramatic example of the payoff from industrial research is the story of man-made diamonds. In 1955 scientists of the General Electric Research Laboratory announced the first production of diamonds on a laboratory scale. Last year, 1957, the Metallurgical Products Department announced that more than 100,000 carats in industrial diamonds had been produced for commercial use. This new product will require new plants, new tools, new equipments, new jobs, etc.

The new, advanced products produced in this country will find new customers and new markets as foreign countries gradually improve their standard of living, mechanize and electrify their economy. An ad in a recent magazine for a group of South American utilities stated that this group will double its power production in the next 5 years and will spend some $250 million for expansion of facilities.

Organized, industrial research and development seeking new products and markets and operating under the forced draft of competition makes it difficult for us to visualize just where we will be 10 years from today.

More Babies

While we all know, read about and can see each day some of the immediate effects of our increasing population, I am quite sure that few of us realize the terrific impact that this basic factor is

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*From a talk by Mr. Sutton before Technical Association of Pulp and Paper Industries, Richmond, Va., Mar. 15, 1958.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The last discussion on insurance stocks went into the severe statutory losses of a large group of leading fire-casualty companies. This week's effort will touch on the investment results, with emphasis on the portfolio results for 1957, compared with 1956.

Not all investors in insurance stocks, in examining an income account, go beyond the investment income line, or the line that gives the combined results from underwriting and investment income. But they should go "below the line," for it is there that the investment results apart from income and realized results on assets sold are to be found.

In the late bull market in equities the portfolio valuations of many large companies showed enormous gains. These, to be sure, were "paper" profits; but nevertheless they could in almost all cases have been turned into cash, or shifted to bonds which at that time were something of a drug on the market.

But insurance companies rarely do wholesale selling of equities as the practice is to regard them as growth media that, over the longer period give best results. In other words, they hope that each high will be higher than the preceding one; and that each low will be higher than the preceding low. And, with the generally high quality of equities that the well managed companies carry, this is much the pattern of what takes place.

It may be protested that this means that the insurance companies simply "ride the elevator up and down." But it is not as simple as this, for the holders of the higher grade equities derive a larger proportion of their income from these stocks; and they do, over a longer time span, derive big accretions. Comparing present day portfolios and their valuations with those of 10 or 20 years ago, who will question the truth of this observation?

It is fair to say that insurance company investment managers rank high in their particular calling else the long-term growth factor would not be as potent as it is in many cases.

Following are investment results for 1956 and 1957 in the form of income from investments and also gains or losses, in thousands of dollars:

	Net Investment Inc.		Other Investment Gains or Losses	
	1956	1957	1956	1957
Aetna Casualty	$10,691	$11,678	$5,676	—$12,583
Aetna Insurance	3,865	3,866	1,253	— 2,820
Continental Ins.	11,660	12,534	22,867	—104,908
Fidelity Phoenix	9,912	10,811	26,085	— 38,895
Great American	7,737	7,550	4,620	— 22,368
Ins. Co. of No. Amer.	19,888	19,833	19,259	— 46,078
Maryland Cas.	4,957	5,320	130	— 4,658
North River	2,092	2,169	977	— 3,387
Phoenix Ins.	4,376	4,540	2,932	— 11,074
Springfield	2,288	2,342	1,831	— 2,469
U. S. Fid. & Gty.	9,593	10,400	175	— 9,005
U. S. Fire	3,709	3,874	1,749	— 5,358
Westchester	2,110	2,214	702	— 2,962
Amer. Re-Ins.	2,053	2,366	629	— 2,172
Bankers & Shippers	567	576	150	— 1,158
Boston Ins.	2,187	2,164	664	— 3,292
Firemen's	4,276	5,011	—6,598	— 10,540
Hartford	12,377	12,619	2,627	— 16,822
Home Ins.	12,590	13,180	5,060	— 33,437
National Fire	3,132	3,151	1,745	— 1,690
National Union	1,811	1,854	201	— 2,773
Pacific Insur.	737	759	243	— 1,790
Seaboard Surety	674	758	198	— 1,217
Mass. Bonding	1,905	1,877	— 561	— 1,335
Northern Ins.	1,352	1,405	427	— 3,916
Prov. Wash.	1,148	1,155	— 690	418
St. Paul	7,014	7,414	2,905	— 1,885
Standard Acc.	2,147	2,308	709	— 1,262
Agricultural	904	904	145	— 2,124
American Insur.	4,888	5,197	3,269	— 8,570
American Surety	1,937	1,889	67	— 463
Fire Ass'n*	2,149	2,169	—2,278	— 3,635
Fireman's Fund	5,936	6,049	228	— 10,273
Glens Falls	3,210	3,372	1,309	— 3,987
Hanover Ins.	1,572	1,764	1,005	— 4,744
Fidelity & Deposit	1,847	1,859	255	— 2,352
Cont. Casualty	7,140	8,828	12,530	— 9,575

*Name has been changed to Reliance Insurance Co.

Considering the fact that about half of the year 1957 saw a bear market in securities generally, the above showings of investment income were commendable. And as almost all companies derive from investment income the amount that goes out to stockholders as cash dividends, the maintenance of a generally even performance on investment income would appear to keep present dividend rates intact. Indeed, in many cases cash dividends which normally would have been increased were kept unchanged in order that as much as possible could be added to surplus account during this period of pressure on surplus when underwriting has been so unsatisfactory.

Davis Named Sec. of Nat'l Inv. Cos. Assn.

Appointment of Leonard L. Davis Jr. as Secretary and Director of Public Information for the National Association of Investment companies, has been announced by Joseph E. Welch, President.

Leonard L. Davis, Jr.

Immediately prior to joining the Association's staff as Administrative Assistant earlier this year, he was Vice-President of Gartley & Associates, Inc, a financial public relations firm in New York.

He had previously been Secretary and Director of Public Relations for the American Hearing Aid Association and Director of Public Relations for Vick Chemical Company, both of New York.

Before entering the public relations field in 1949, he spent more than ten years as a metropolitan daily newspaper reporter and assistant city editor.

In his new assignment, Mr. Davis will be responsible for the public information and administrative activities of the Association.

Vincent L. Broderick, General Counsel, will direct the legal activities of the Association, which has 168 member companies whose combined assets exceed $10 billion.

Mr. Davis will assume his new position on May 1, according to Mr. Welch, who also announced with regret the resignation, effective April 30, of Executive Director Edward B. Burr, who has accepted an executive position with an investment company member of the Association.

Two With Daniel Weston

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph P. Geraldine and Irving G. Searcy have become connected with Daniel D. Weston & Co., Inc., 618 South Spring Street. Mr. Geraldine was formerly with Jonathan & Co. Mr. Searcy was with Lewis-Davis Inc. and Jonathan & Co.

With Kuhn, Loeb Co.

Kuhn, Loeb & Co. 30 Wall Street, New York City, members of the New York Stock Exchange, announced that Bracebridge H. Young has become associated with the firm in their Municipal Department.

Blair Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Brewster Conant is now with Blair & Co., Incorporated, 105 South La Salle Street. Mr. Conant was formerly with Chicago Title & Trust Co.

Secs. Management Branch

LITTLE ROCK, Ark.—Securities Management Corporation has opened a branch office at 263 South Crescent Drive under the management of Alvin W. Songey.

Two With Copley

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—Elmer M. Bryan and John H. Pierce are now connected with Copley and Company, Independence Building.

Joins Arnold Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Norman R. McKee is now affiliated with Lloyd Arnold & Company, 364 North Camden Drive. He was previously with Shelley, Roberts & Company.

Price of Air Superiority Upon the Defense Industry

By LT. GENERAL WILLIAM F. McKEE*
Vice-Commander, U. S. A. F. Air Material Command

Air Force materials procurement officer tells defense industry steps taken to keep price of our present air power within practical bounds, and reviews impact of changing concepts demanded by new weapons and strategies which may hit certain suppliers adversely. The changes, according to Gen. McKee, not only spell the end of mass airplane production but also involve, one, dispensing with mothballed standby mobilization facilities and relying on existing facilities; two, shift from mass production to precision production of more limited quantities of increased complexity; and, three, utilizing weapons system concept which favors the large contractor.

Let us examine the **cost** of the air superiority our nation is committed to building and maintaining for survival. Both industry and the Air Force have an urgent responsibility at this time to take a hard, honest look at the price of security. I mean the price not only in dollars and cents, but also in resources, energies, and the necessity for some difficult adjustments. The cost of American air power is a primary concern of our Air Materiel Command because we are the logistics, or the business arm of the Air Force. About two-thirds of the total Air Force budget channels through Air Materiel Command each year for buying, supplying world-wide, and maintaining some million and a quarter separate inventory items of Air Force materiel. We hold in trust roughly $35 billion worth of the defense assets of the American people. We are the contact point and partner of American defense industry, of about 14,000 prime contractors throughout the country, and innumerable subcontractors and suppliers. The cost of air power matters particularly to us because it is a primary function of our mission to transform available dollars and resources into adequate strength on the line.

Lt. Gen. W. F. McKee

Most Urgent and Costly

Our present defense position is the most urgent — and the most costly—that our nation has ever been forced to support in peacetime. We must follow two roads in our air defense. First, we must insure qualitative superiority of our weapons by accelerating development and phasing of missiles into our operational inventories. Secondly, we must continue optimum, **ready** support of the manned aircraft force that is our present prime deterrent to war. Nor can we think of this last as simply an interim responsibility until the missiles "take over." As our Chief of Staff, General White, has pointed out, the total Air Force mission, from this point forward, will require mixed forces of manned aircraft, missiles, and, in time, manned spacecraft.

On our first road we have made progress that should be assessed with neither discouragement nor complacency. By the time Sputnik I began its orbit, Air Material Command had already committed over $1.8 billion in ballistic missile contracts. Industry had been mustered behind the effort and whole new segments of productive capacity had come into being. To date, about $500 million has gone into new development, testing and production facilities for the ballistic missile alone. Roughly one billion a year is now flowing out to industry in this program.

We are beginning to see results from our missile programs in general, operational hardware for our arsenal. Three of the smaller tactical missiles are already in operational use. 1958 will see further significant additions to our missile forces. The long-range intercontinental strategic missile SNARK will be assigned to the Strategic Air Command during the year, as will the RASCAL, an air-to-ground missile for use with high altitude bombers. Launch sites are under construction, and training units have been activated for BOMARC, long-range surface-to-air defensive missile designed to destroy an enemy far out from his intended target. Units of both THOR and JUPITER, intermediate range ballistic missiles, are scheduled for deployment overseas before the end of the year. The ATLAS intercontinental ballistic missile is going through "final exams" at Cape Canaveral. And follow-on ICBM's, the TITAN, and the recently announced MINUTEMAN are under accelerated development.

Meanwhile, in the second aspect of our mission, we are maintaining a force of thousands of manned aircraft, a considerable part of it on constant alert all over the world, flying 10 million hours annually. Into this force, too, we must phase the newest, the best, the most powerful of weapon systems—the record-breaking fighters of the century series: the B-52; the B-58, which has been called a "missile with a man in it"; and the long-range, high altitude bomber B-70A, to be designed for chemical fuels and a speed of 2,000 miles per hour.

Must Husband Resources

This dual responsibility for both present and future air power of unprecedented complexity calls for the most careful and the shrewdest allocation of available resources. There is some tendency at present to misinterpret the fact that many of the pre-Sputnik expenditure controls and stretch-outs have now passed out of the picture. This does not mean that the pinch is over. It means simply that we have been given a supplemental appropriation to buy time while it can still be done. The increasing costs of both manned and unmanned weapon systems and the rising ratio of necessary research and development investment leave us still facing the utmost austerity in wringing adequate operational hardware from defense resources available.

In the broadest sense, we must all shoulder the costs of our effort to do that. The American people as a whole will pay $38.9 billion for defense in FY 1958, over 50% of the total government budget, and better than 8% of the estimated 1958 Gross National Product. The Air Force is receiving, with the recent supplemental appropriation, $17.8 billion in new funds in FY 1958. In both the total defense budget and the Air Force budget, the rising ratio of missile to manned aircraft funds is significantly evident.

Such a national investment in the defense mission entrusted to us places upon us—both the Armed Forces and the industry which arms them—the gravest responsibility for making this massive investment accomplish its full purpose. We must insure that every dollar buys full value in the national defense.

In Air Force logistics we know that this means increased concentration upon improved management. One urgent concern of the past few years has been development of a support system precisely tailored to the capabilities and limitations of the new missiles. We have been working to develop this concurrently as the missiles themselves are being developed. Thus the actual support capability will exist as soon as a missile enters our operational inventory. Many techniques and concepts of logistics management, already evolving for the support of manned aircraft, have been given added impetus and sharper focus for missile application. They now promise improved management of both missile and manned aircraft logistics.

Most of them are slanted to the basic premise of missile logistics: that we must compensate for smaller inventories of extremely complex weapon systems by maximum speed and precision of support. The filled pipeline becomes a thing of the past; in its place we substitute direct, point-to-point reflex response. Intermediate storage and warehousing is cut to a minimum. Most items peculiar to a weapon system move directly from source to user—from contractor to launch site, wherever practicable.

High value is another means of aiming management efforts at the areas of greatest payoff. Since 2% to 3% of the total spares purchased account for about 50% to 60% of our spares support dollars, it is obvious that tight control of this low-bulk, high-value segment of our inventories will yield maximum returns for energies and resources expended. We concentrate upon buying minimum adequate quantities of high-value spares and keeping the strictest control over their stockage, issuance and repair until they wear out. Originally tested in the areas of airframe and engine spares, the high value concept is now being applied to electronics and some guided missiles. One of our primary objectives for 1958 is to greatly extend its application to our total inventories.

Both the source-to-user and the high value concept are made practicable in our present system by the rapid evolution since World War II of such management tools as airlift, fast communications systems and electronic data processing equipment of superhuman speed and accuracy. The ballistic missiles weapon center, first of its kind, now being readied at our San Bernardino, California depot, represents a functional fusion and culmination of these logistical tools. Its electronic data processing center will be linked by a transceiver communications network to operational units, major missile contractors, weapon system storage sites, depots, and other Air Force installations. The system will give us an unprecedented degree of speed and precision in control of our world-wide assets, automatic resupply, computation of requirements, and preplanning of maintenance workloads and transportation needs.

Two More Cost-Cutting Steps

As a second step toward keeping the price of our present air power within practical bounds, we are reducing the physical plant of the Air Force logistic system. This is a carefully time-phased program slanted to the time pe-

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*An address by General McKee before the National Security Industrial Association, Washington, D. C., March 13, 1958.

Short-Lived and Long-Run Factors Affecting the Business Outlook

By ORVILLE J. HALL, Ph. D.
University of Arkansas
College of Business Administration

Professor Hall attributes to residential construction and automobile output presageful role regarding our economic health. After weighing this and various other economic indices, concludes present recession may level off during late summer or early fall of 1958 if previous pattern of postwar recessions are repeated. Believes, however, "sideways" movement may persist until spring of 1959. The Arkansas economist is mindful of government impact on the economy which, among other things, dictates continuing re-evaluation of factors affecting business outlook.

The startling increase in unemployment since January of this year and the continuing decline in industrial production have crystallized attention on the need to analyze what has been happening to the United States economy since World War II—and to evaluate the strong and the weak spots in our present economy. Particularly, we must seek out the weaker areas at the base of our economy.

Prof. Orville J. Hall

Industrial production in the United States has shown an upward trend since its low point in 1932. Productive levels are reported by the Federal Reserve Bank by comparing them with the average rate of production for the three-year period 1947-1949. A rate of 100 is assigned to this figure of a decade ago. The 1932 rate of production was 31 compared with the high of 127 in 1943 during World War II. In 1946 the index stood at a postwar low of 90. The trend of production has been upward since 1946. In only two years, 1949 and 1954, was production below the previous year's rate. Both 1956 and 1957 showed 143 for the annual rate. Since these data are for the physical volume of industrial production—such as tons of steel, number of automobiles produced, gallons of gasoline, etc.—they do not have to be corrected for price changes.

Industrial Production

Details of monthly production changes are revealed by the Index of the Physical Volume of Industrial Production. These monthly data often are "smoothed" by removing the more jagged changes from month to month, making the data easier to interpret. The accompanying chart shows the smoothed index by months from 1946 to 1957. The data were corrected for seasonal fluctuations, that is, for the fact that some months typically are above the average for the year and other months below the average.

The period from January, 1947, through February, 1948, showed peaks early in both years with a trough between, with January and February, 1948, above the rate of production of a year earlier. A similar condition is shown for the period December, 1955 to January, 1957. This first peak was followed by a trough in midsummer, and then by a higher peak in December, 1956. The similarity between these two cycles is evident in the top portion of the accompanying chart. However, it appears that the levels of January, 1947, and December, 1955, were both further above the trend than was the rate of output a year later in each instance. This is shown by the lower part of the illustration. Analysis of production in relation to trend also shows peaks in the winter of 1950-1951 and in the first part of 1953.

In each of these periods during which production was below the trend, recovery started about the middle of the year, namely in 1949, 1952, and 1954. This would suggest a similar recovery in the summer of 1958.

This analysis is presented as one method of forecasting the rate of industrial activity in the United States along with the deviations above and below this growth trend. The historical data suggest that repetition of what has happened in the past will happen in the future. If this occurs, an upturn may be expected after mid-1958.

Historical analysis is a useful tool, but when it is applied alone

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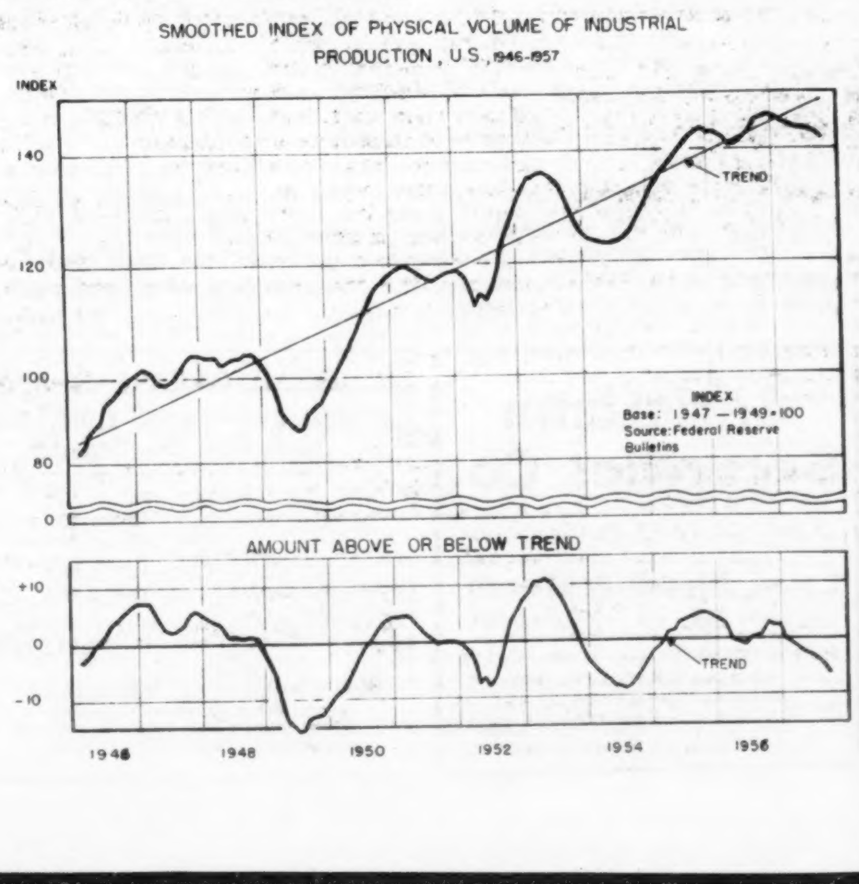

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks found a bit of at least temporary support this week after the list had declined rather steadily for two weeks. It wasn't a very convincing showing but, on the other hand, the long string of declines didn't show any great urgency either. Only two of the nine declines clipped the industrial average for two or more points.

Technical Factors

Short covering was partially responsible for the respite with the support developing when the industrial average fell to 439. In the February slump it wasn't met until the average had dipped to 436 while the last sinking spell of late 1957 worked down to 425 before bargain hunting moved in. The pattern, consequently, isn't without its bright aspect since ascending bottoms are one of the more hopeful of the technical considerations.

* * *

Less than 14 points was lost by the industrial index through the persistent selling which, again, was far from excessive for a dour period of such length. What irregular spots showed through the list were mostly cases where first quarter earnings expectations had been overly high and not caused by anything approaching mass liquidation.

* * *

Lorillard was particularly hard-hit by traders' chagrin when the annual meeting was told that earnings would be slightly under the $1.93 of the first quarter last year. Street estimates had been well over that and some of the more optimistic ranged to almost a dollar higher so the news was definitely unexpected. Lukens Steel was another case where hopes were high but the drop of nearly 60% was far below expectations.

* * *

Steels had little in the way of following although they were able at times to mount a technical rebound. Coppers, however, were fairly buoyant until the domestic price was shaded slightly, which turned them irregular again. Autos showed little life, notably Chrysler, where some of the more pessimistic analysts were predicting a red ink first quarter.

Bright Spots

Popular, after a long period of disinterest, were the paper shares which were able to show moderate strength on occasion. Then, too, the recent emphasis on the "soft goods" industries such as food, drugs, soft drinks, chain stores, etc., continued to give the market a few other sturdy spots.

Colgate Palmolive nudged into the lime light via making the new highs list to give the soap shares a bit of prominence. The company, despite a fat improvement in its profit last year, is optimistic for this year mostly because several new products have been introduced to bolster sales. The company has been busily expanding in foreign markets where the economic climate is not as sick as is the domestic one. Nearly two-thirds of last year's earnings were derived from overseas operations. The stock's return is a better-than-5½% one, which is a liberal yield for one of the Big Three of the industry.

* * *

Tobaccos, as has been the case for long, were the group favored for good results this year despite the recession elsewhere as well as for above-average yields. Even Lorillard, which suffered a bit from the too-high hopes, had a good statistical showing. For instance, it has indicated earnings of twice those of Philip Morris but both issues sell around the same price. And its earnings are about equal to those of American Tobacco but that stock is some 30 points higher.

A Reinvigorated Laggard

Liggett & Myers has been one of the issues preferred by those who hunt out laggards. Like the others Liggett suffered a sales dip between 1952 and 1955 when the filter cigaret popularity took hold and reversed the trend. Excellent results were turned in last year, including partial benefits from a price increase that only went into effect in midyear.

* * *

It boosted Liggett's net to $6.85 with a wider profit-margin apparent and the improvement is fully expected to continue this year. But where the stock reached a peak of $82 in 1953 on a $5 dividend covered scantily by $5.50 earnings, on the same dividend currently which is well sheltered the best the stock has been able to do is around 10 points under the 1953 high. It also moves narrowly. Liggett's swing last year was around half a dozen points and so far this year it has held in an arc only slightly wider. Its return of around 7% obviously makes it a leading candidate for high yield with defensive characteristics.

Renewed Popularity for CBS

Something new has been a bit of popularity for the television-electronic shares, including Columbia Broadcasting System which has been in a good earnings uptrend.

* * *

Columbia's earnings mounted from $1.79 in 1955 to $2.82 last year with a favorable comparison a minimum expectation for this year, even better results are sure if it acquires two more TV stations and there is a general business upturn in the latter half of this year. On a longer term basis the results are even more impressive — a five-fold increase in revenue in the last decade while profits tripled. This showing, and the fact that the $1 dividend is well covered, automatically makes it a candidate for a dividend boost, although this may be delayed as a result of the present labor troubles.

* * *

The paper shares were the first victims of overproduction and it came early before the same affliction showed up in other lines. But a part of the decline in paper use, particularly last year, was less a loss of markets than it was a case of inventories being used up. New applications for paper continue to emerge and consumer products are in good demand such as tissues, paper cups, etc. Lily Tulip was the more obvious of the issues on new-found strength and by no coincidence is the leading maker of paper cups.

Juicy Yields on the Rails

Rails, and especially the good grade Western ones, are also the handsome return items but nothing seems to spark interest in this group currently. Union Pacific, which showed superior ability to hold up its earnings last year is available at around a 6% yield. And even cautious predictions of a moderate decline in profit this year still indicate that the $1.60 payout should still be covered around two times.

* * *

The return on Kansas City Southern runs around 7% on a dividend earned more than twice-over last year and projections of results for this year should still cover it by around two times. That offers little in the way of jeopardy to the rate.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Form Inv. Corp. of Va.

NEWPORT NEWS, Va.—Investment Corporation of Virginia has been formed with offices at 130 Twenty-eighth Street to engage in a securities business. Officers are James W. Lemasters, President, and Edna K. Lemasters, Secretary and Treasurer. Mr. Lemasters has been with Federated Plans Inc.

Middle East Oil

By ROGER W. BABSON

Financial writer Babson opines Egyptian President Nasser may become an "oil dictator" if he comes out on top in his current Middle East power struggle. Advises oil investors to shy away from this area; looks to substitutes as the answer to Arab strategic control of oil supplies; and expects electric power to take house heating "away from oil companies."

The formation of the United Arab Republic, consisting of Egypt, Syria and, eventually, Yemen, is a feather in the cap of President Nasser of Egypt. It will enhance his bargaining power with both East and West. The new Republic is born of the traditional Arab hostility to the State of Israel and of Nasser's fear of the power of the feudal Arab Kings of Iraq, Saudi Arabia, and Jordan.

Roger W. Babson

This new Union means that Nasser may have nearly absolute power over both Egypt and Syria and perhaps over Yemen as well. It means that he can exercise a greater control over shipments of oil and other goods through the Suez Canal and that he can stop, at will if it becomes desirable, the flow of oil through Syrian pipelines to the West.

Will There Be a Single Arab Oil Empire?

Many observers believe Nasser's dream is to create a united Arab oil empire. To do this, the Egyptian leader must break the power of the feudal Arab Kings. Nasser is still a popular figure in the Arab world. He has tangled with Israel, Great Britain, and France and come out fairly well. Although he has not been able to better the lot of the average Egyptian, he has captured the imagination of the masses. It is just possible that he may break the power of the Arab Kings and effect, for a time at least, a single federation of all the Arab states. This would be due to their common interests in oil and their common fear of the State of Israel.

However, for the moment, Nasser's dreams of an oil empire have been jolted by Iraq and Jordan, whose Kings have proclaimed a separate Arab Federation. To such it is possible that King Saud of Saudi Arabia may eventually adhere. In agreeing to form this federation with Jordan, Iraq may defect from the Baghdad Pact which binds her to the West.

No Early Stability in the Middle East

Nasser will drive hard bargains with European and American oil interests operating in those areas over which he can exercise some control. During the next few years, tensions in Arab lands will be high. The flow of oil to Europe may again be cut off or be slowed to a trickle. Certainly, it will cost more!

There will be no early stability in the Middle East. The two chief Arab factions will jockey for position, versus each other and Israel. If Nasser should come out on top in his struggle with other Arab interests currently resisting his climb to power, he could become a most important oil dictator. However, much will depend upon how long it takes the world to develop an economically feasible means of harnessing nuclear power. I forecast that we will somtime find a cheap way to produce power through fusion, or through harnessing gravity. Then Nasser's, or his successor's power, based on control of strategic oil supplies, could vanish.

Egypt Could Be a Rich Land

Studies show that Egypt's soil contains elements which would favor vegetation if only her fields could receive sufficient irrigation. Unlike European countries and much of our own farm land, Egyptian topsoil is still intact and the life-bearing minerals remain in her good earth. On the other hand, her people are very ignorant and poor.

Someday, Egypt will have her Aswan dam and other vast irrigation projects which will assure her sufficient water for good farming; but there first must come an entire change in her people's character. They are not yet using properly the water now available. Only then can the now arid lands of her great deserts bloom. I forecast, however, that the time will come when Egypt can be a most important country, but this is many years ahead. Don't now buy Egyptian land. Readers are justified in investing a reasonable amount in oils; but let us confine such investments to companies which do not depend too much on the Middle East. Furthermore, electric power will someday take "house heating" away from the oil companies.

Bock, Buckley Join J. N. Russell & Co.

CLEVELAND, Ohio — Roy E. Bock and William S. Buckley are now registered representatives with J. N. Russell & Co., Inc., Union Commerce Building, members of the New York Stock Exchange. Both men, since 1938, were formerly with Dodge Securities Corporation which ceased operations as of March 31st.

With Illinois Mid Con.

CHICAGO, Ill.—Irvin W. Frank is now with Illinois Mid Continent Investment Co., 676 St. Clair St.

Irving Allen Opens

BROOKLYN, N. Y.—Irving Allen is conducting a securities business from offices at 194 Falmouth Street.

Andrick & Goodnight

SAN ANTONIO, Tex.—Andrick & Goodnight Investment Co. has been formed with offices in the Nix Professional Building to engage in a securities business. James E. Goodnight is a principal of the firm.

Joins Glore, Forgan

Philip S. Nelson has joined the staff of Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York and Midwest Stock Exchanges.

James L. Dana Opens

WEST MONROE, La.—James L. Dana has opened offices at 112 Avant to engage in a securities business. He was previously local manager for Scharff & Jones, Inc.

Crowell, Weedon Branch

COVINA, Calif. — Crowell, Weedon & Co. has opened a branch office at 120 East College Street under the direction of Jay Smith.

American Industry and Labor— And Our Pricing Mechanism

By CARL E. ALLEN*
President, Federal Reserve Bank of Chicago

Chicago central banker castigates some leaders of industry who adopt rigid, unyielding and even rising prices in the face of falling demand, and defend their action by insisting the opposite would not stimulate demand. Mr. Allen warns absence of individual price flexibility, which he defines as an important constituent of price stability, disregards the signals of our free market system, makes government intervention inevitable, and constricts effectiveness of monetary-credit policies. Argues that price stability and economic growth compatibly depend upon each other, and hopes labor and management will recognize that their best interests—and the economy's—lies in flexible prices of the market place and not in induced creeping inflation which can throttle economic growth.

I am convinced that the upward spiral of prices imperils the economic strength of our country and threatens the survival of the America we have known.

Carl E. Allen

Price stability is not a catchword or slogan. It is one of the foundation stones of our national economic life. If we should lose our economic freedom through the adoption of inflationary programs, our political freedoms may well be lost along with them. And the loss of our economic and political freedoms would leave little to strive for or to contrast with Communism.

I read a piece by a newspaper columnist the other day who wrote, with regard to our defense problems, and somewhat humorously, that never before had the nation been afflicted with so many people telling so many other people "to wake up." This common acknowledgment of shortcomings in our scientific achievements has had a shattering impact upon all of us. But it had the desirable effect of shaking us out of our complacency.

I wish that I could read a companion piece which would report that we had been as effectively alerted to our shortcomings in the economic field. For I am convinced that these problems are serious—in their own way as pressing as our problems in national defense and associated with them. We can win or lose the battle against our enemies as decisively on our domestic front as in outer space. As the Joint Economic Committee of the Congress reported only last month: "Our economic superiority may be as important as military supremacy, if indeed it is not more important, in assuring peace and the conditions for improved living standards for the entire world."

These economic problems embrace fundamental issues. They deserve universal interest, widespread discussion, and above all they require solutions. To leave them unsolved is to court economic disaster and government intervention. And we know from experience that government intervention is frequently a needless and costly confession of failure rather than a solution.

The current lull in business activity has been called a "breather." If we mean by that analogy that, among other things this is an appropriate and necessary time for inquiring as to why business is "out of breath," then the analogy is a good one. But if it is meant only to suggest that we are enjoying a much needed and deserved rest before again going blithely on our way toward further inflation—then it is a dangerous analogy.

Prevent Now Another Boom

Now is the time—when the consequences of our excesses of the past few years are hard upon us, when there is a sense of urgency—to seek ways and means to avoid another boom and the inevitable reaction. Some economists think we have learned how to avoid busts of the 1929-early thirties variety. It is not too much to hope that we can learn how to avoid booms, if we set our minds to it. In economics as in medicine the best "cure" is a preventive. And the way to avoid depressions is to contain the boom which inevitably precedes them.

Our goal is high and growing levels of employment and output, but sustainable levels. I liken it to the physical growth of my children. I want them to grow stronger and bigger each year, but not to undertake such strenuous activity and growth in one year as to bring illness and inactivity next year.

Now you may say that prices have always been the whipping boy. People, forever, complain about prices. The things we sell always have too low a price—the things we buy are always too high. But price movements, taken as a group, are an important gauge; they can be a symptom and a measure of economic growth which is not sustainable, or in turn evidence of recessions and depressions.

Just consider for a moment what price instability, or more realistically, the inability of prices in general to move in any other direction than up, has done to us over the past two decades and the past two years.

Consequence of Creeping Inflation

Since 1939, a more or less steady erosion in the worth of the dollar has eaten away over half its purchasing power. In the last two years alone, six cents has been chipped-off every dollar currently earned, currently spent, or accumulated in pension funds, insurance and other forms of fixed dollar savings. I wonder whether labor, both the white and the blue collar, when computing its wage and salary gains, and management, when computing profits, adequately discount the future losses in purchasing power resulting from ever inflating prices.

We ought not to forget, in our own self-interest, when we shift the burden of inflation onto the shoulders of our more elderly citizens and the savers, that no one stays young forever and that everybody saves these days. From our own point of view, the selfish point of view if you like, it is only through maintenance of reasonably stable prices that we can hope to realize the full value of dollars saved and set aside for use in emergencies, for educating our children, for our retirement, or for such other future expenditures as prompted the savings in the first place.

When we speak of a reasonably stable price level, or what amounts to the same thing, a reasonably stable value for the dollar, we do not mean a dollar which in every instant in time will purchase precisely the amount of goods and services as in every other moment of time. We most assuredly do not mean that every individual price ought never to change—far from it. In a private enterprise, competitive market economy the consumer calls the turn. It is characteristic of such an economy that new products are continually challenging the supremacy of old products for the consumer's dollar. Tastes change, more efficient ways of producing existing products are found. If prices are free to reflect changes in consumer demand, increases in some individual prices will be offset by decreases in others. In a word, flexibility in individual prices is a necessary condition for over-all stability in all prices.

Stable Prices and Economic Growth

Few people seriously doubt that price stability is essential to sustainable economic growth. Yet there are those who persist in asking which is the more desirable, and thereby infer that there is no connection between the two. There is neither reason nor logic in such a question. Price stability and sustainable economic growth complement each other and one does not exist for long without the other. It is like asking whether the mother or the father is preferable in creating a family. They are natural partners for life and it is unnatural to seek opposition or priority between them.

It is not difficult to see why progress under conditions of stable prices is the only kind of progress that can be sustained. Changes in the general level of prices tend to be cumulative. Rising prices, especially when they are more or less continuous, distort the outlook for business profits and consumer income. Businesses are tempted and they engage in unsustainable expansion programs and excessive accumulation of inventories. Marginal businesses, which in the normal course of events would be reorganized, defer remedial action and live by the false profits of inflation.

Wage and salary earners, typically in short supply in such times, demand and get ever increasing payments. Many overextend themselves on purchases of goods and services in anticipation of still further rises in income. And because it seems rather easy to pass on ever-increasing costs to the consuming public, the will of business management to resist unreasonable wage and salary demands is weakened. As the process continues the notion that inflation is inevitable takes hold, and the smart businessman and the smart consumer become those who buy now because things will cost more next week, next month, and next year.

At some stage it becomes evident that our capacity to produce has outrun our capacity or our desire to consume—at the higher prices. That may be because an ever-increasing proportion of the population has failed to share in the so-called "blessings" of inflation. It may mean that too many people have obligated so large a share of current and prospective income for purchases of durables that they are, in effect, out of the market. It may mean that steadily increasing costs of necessities reduce the volume of purchasing power left over for the many goods and services which all of us want but which are not necessary for survival. It may mean that some consumers eventually simply tire of paying ever-increasing prices and decide to make-do with what they have. Many things conspire to bring about the end of a boom.

With minor interruptions we have experienced a high degree of prosperity since the end of the war in 1945, but prices have risen in an inflationary fashion. Under our system of free markets both the prosperity and the rise in the price level have been logical enough. We know that the 1930's was a period of depression when civilian demand was less than normal for a country of our size and growth potentialities. And then came the war when our energies were necessarily directed to armament, and the desires and needs of our people for civilian products were properly disregarded. But with the end of the war and the release of our energies, it is not surprising that our industry should enjoy a high degree and a sustained period of prosperity in making up for what we failed to do in the depressed 1930's and in the five years of a great war.

And in our system of free markets it followed that prices would rise. There was competition for materials, and there was a seller's market. There was competition for labor and the unions succeeded with few exceptions in securing annual increases in wages and other benefits. And selling prices were necessarily increased. But the deferred demand assured a high level of business. Of course the accumulated savings and the low level of consumer debt at the end of war contributed in a substantial way to the buying power of our people. And under such conditions our industries built new plants at an unprecedented rate. It all added up to the greatest activity and prosperity any nation has ever known.

This occurred under what I have referred to as our system of free markets. That system provides the incentive of profit as its motivating force. Man can move from job to job, from occupation to occupation, in the hope of material gain. It has proved to be the most successful system in the history of the world in bringing material progress, in bringing an undreamed-of standard of living to our people. It includes not only the incentive of gain but the possibility of failure. And the market system has been successful because the market place has provided the incentives and has made the decisions between success and failure, with a minimum of Government intervention or control.

Let me repeat. We know that the market system is the best system yet devised for assuring industrial progress and material gain for the greatest number of people. Let me repeat, too, that if it is to operate with success, men must be free not only to enjoy the fruits of success but to fail in their endeavors and move on to another field.

Now to come back to our subject of price stability. Except for a few welcome intervals we have not had price stability for almost 20 years. Yet we have enjoyed, if we ignore those millions living on pensions and returns from fixed dollar claims, and those millions whose incomes have not kept pace, a long period of prosperity.

Threatens Growth

But constantly rising prices threaten, and eventually throttle sustainable economic growth. The only reason they have not done so in the postwar period has been that we were catching up with deferred construction and with the many other deferred wants of a large and growing country.

I am not disposed to be too critical of those who used their bargaining power under such conditions. True, the labor unions took full advantage of the situation and successfully introduced undesirable rigidities into our cost structures. True, employers accepted such rigidities more readily than may prove to have been wise. According to the Department of Labor, more than four million workers are eligible for increases in wages in 1958 contracted for in prior years. And adding to cost rigidities is the unique built-in inflationary device, developed over the past decade, known as the automatic cost-of-living formula. Most of the workers receiving deferred wage increases have contracts which include the cost-of-living feature. We should not infer that these figures represent all of the workers operating under such plans. Many more do so under less formal arrangements.

And the consumer price increases which followed these so-called rigidities in labor costs were accepted for many years. Labor and management may not have been farsighted, but they acted under the laws of the country and the market place which permit failure as well as success on the basis of poor or good judgment. So long as selling prices could be increased without reduction of markets, their judgment, at least for the short-term, could appear to be justified.

Decline of Several Months

But now we have had several months of declining industrial production. And the decline in business volume is conspicuous in those industries which set the fashion of long-term wage contracts with assured annual increases and the cost-of-living formula. Some of the leaders in those industries have commented recently that higher prices have no relationship to falling demand even for individual products. They say that setting lower prices would not stimulate demand. Actually, there have been price increases on items for which the demand has been weak in recent months.

Takes Umbrage at Price Freeze

Now I have great admiration and respect for these gentlemen, and I have a sympathetic understanding of what I have referred to as their acceptance of rigidities in cost structures. But this is a new, a novel, and a frightening theory of consumer behavior.

It amounts to saying that consumers will neither be able nor willing to buy more goods and services at lower prices than at higher prices at any given level of income. It amounts to repealing the principles of economic behavior in a private enterprise economy. It renounces the discipline and disregards the signals of free markets. It rejects the essential readjusting mechanism, flexible pricing, which can contribute so much to sustained high levels of employment and output. It ignores—but, you may be sure, it does not repeal — the law of supply and demand.

Adhering to the principles of the free market system, we can disagree but we should respect the right of management and labor to follow their judgments for better or worse and permit the market place to render its decision. The rub is that key industries are involved. And these industries are so important to the well-being and safety of our country that we cannot afford to sit idly by while their volume of business declines. Government intervention, much as we deplore it in principle, may become inevitable. And it will be a deathblow to our private enterprise economy if governmental intervention replaces price flexibility as the equilibrating mechanism.

Opens Door to Government Intervention

I have referred to government intervention which might be im-

*An address by Mr. Allen before the National Installment Credit Conference, American Bankers Association, Chicago, Ill., March 24, 1958.

posed. Unfortunately, we also risk the possibility of government intervention which is sought. It is human nature, when we overreach ourselves and have no one to blame for our excesses other than ourselves, to seek out a culprit on the one hand and a savior on the other. I believe that elements in labor are doing just that today. They turn to industry as the culprit and to the government as their savior. And there are elements in industry which have priced themselves out of a market. They have themselves to blame for their excesses, so they look to labor as the culprit and to the government as their savior. The culprits are different but unfortunately the hoped-for saviors are the same—the government.

The Federal Reserve System is vitally concerned with price stability because the Federal Reserve System shares responsibility for sustainable economic growth in our economy. And sustainable growth is impossible under conditions other than those of price stability. But the tools and instruments by which the Federal Reserve makes its influence felt are designed to operate in an economy in which prices are free to perform their traditional function of allocating resources, including manpower, materials and capital, in response to consumer demand. In such an economy business and labor view falling demand as an indication that their prices are too high and they take steps to "meet the competition," to recapture their markets.

That can mean moves in one or more of several directions. It may mean that losses are taken for a time. It may mean that labor accepts the same or lower wages. It probably means that research and redesign of products receive greater emphasis. It may ultimately mean that a business simply can't make a go of it, and resources move to more profitable areas. An essential virtue of the market system is the alarm with which we view idle resources and our compelling desire to put them to work. Price flexibility helps to keep them employed and to attract them to their most profitable and productive use. In such a system the maintenance of appropriate credit and monetary conditions is a relatively simple matter, however complex the timing may be.

When Monetary Policy Succeeds

Some ask why the contribution of the Federal Reserve System has not been more effective, especially in recent months. My response must be that in an atmosphere characterized by rigid, unyielding and even rising prices in the face of falling demand, in an economy which includes built-in inflationary devices, the effects of central banking action are necessarily limited. Monetary policy can supplement and help the corrective forces which should be at work in the market place. Monetary policy does not and should not have the responsibility or the authority to see that those corrective forces are permitted to operate.

Under present circumstances we can only hope for a revival of faith in the pricing mechanism of the market place. We can hope that management and labor in the months ahead will recognize that lasting rewards cannot come from constantly increasing prices, but rather that their mutual interests and the well-being of the country both require price stability. And we can hope that our government will demonstrate a continued reticence to intervene, pending a reasonable opportunity for all of us to adjust to more normal conditions after having become accustomed to abnormal boom conditions for so long.

If and when those hopes are realized, we will have the price stability which is so essential to the continued growth and prosperity of our great country. And I am confident that if we have the will we have the intelligence to solve our economic problems just as we have the scientific know-how to demonstrate superiority in military affairs.

Our way of life is not just an ordinary routine affair in the development of the progress of mankind. It is in truth a model set before the world as an ideal toward which to strive. And it is so regarded in the free and uncommitted worlds and by millions behind the Iron Curtain. Even if we must take the hard road let us be careful what we do, not only for our own and our children's sake, but also because of the high responsibility that is ours for carrying the torch of freedom and self-government for all the world to follow.

Form Ideal Securities

(Special to The Financial Chronicle)

DENVER, Colo.—Ideal Securities Company has been formed with offices in the U. S. National Bank Building, Mile High Center, to engage in a securities business. Officers are John Berehbeim, President; Gertrude Rettler, Vice-President; and B. R. Edmiston, Secretary - Treasurer. Joseph L. Hickle, Vance Sutfin and Harold G. Roebuck are also associated with the firm.

Form No. Central Secs.

OTTAWA, Ill. — North Central Securities, Inc. is engaging in a securities business from offices at 119 West Washington Street. Officers are Russell L. Knudtson, President; Roy D. Knudtson, Vice-President; M. L. Knudtson, Secretary and V. J. Knudtson, Treasurer. Russell L. Knudtson has been with David A. Noyes & Co.

Southern States Adds

(Special to The Financial Chronicle)

ATLANTA, Ga.—Arthur Corry, Jr., Stanley N. Palmer, and Berthold G. Stumberg, Jr., have become connected with Southern States Securities Corporation, 64 Ponce de Leon Avenue.

To Be Partnership

McLaughlin & Co., which will be formed as of April 14, will do business as a partnership instead of as a corporation as previously reported. Partners in the firm, which will be a member of the New York Stock Exchange, will be Henry Kaufman, John F. McLaughlin, Frank J. Brady and Cyril J. Andrews who will hold the Exchange membership.

Joins Woolrych Currier

(Special to The Financial Chronicle)

SAN DIEGO, Calif. — Homer L. Chattin has joined the staff of Woolrych & Currier, 3911 Fifth Avenue.

To What Extent Should We Tinker With Our Present Economy?

By EDWARD T. McCORMICK*
President, American Stock Exchange

Opposition to a tax cut and non-defense pump-priming measures is voiced by American Stock Exchange head who frankly believes the economy will straighten itself out—and faster—if it is left alone. Mr. McCormick opines that what we need is a "psychological boost . . . an optimism that is well justified" and, after describing large deficit in the offing, asks to what extent should we "tinker" with our economy to avoid or alter the adjustments we are now experiencing. States that if a choice must be made it would be preferable to follow the route of tax reduction.

A wise old friend of mine warned me many years ago on the fate of economic prophets. He said, and I think it's true, that such poor unfortunates are best remembered by the mistakes they've made. When they are right, nobody remembers what they said — when they are wrong, nobody forgets it.

E. T. McCormick

To set the record straight, let me point out that I have no specially constructed crystal ball, nor any inside connection with the spirit world that gives me a mystic view into the future. I'm just giving what I hope can be regarded as an educated guess.

Current Indicators

Let us first briefly review some of the current business indicators or sign-posts.

As of the Ides of March, compared with one year ago, Bank Clearings were slightly up; Commercial and Industrial Loans were slightly off; Construction Awards at $313 billion were down about 25%; Crude Oil Production was off about 20%; Steel Operations were down to 54.2% from 94% of capacity; Freight Carloadings were down to about 544,000 from approximately 672,000; Manufacturers Inventories were up about $400 million and sales were down more than $3 billion. Employment was down over 1,200,000. And from 3,100,000, unemployment had increased to over 5,000,000. But Personal Income on an annual basis had increased by over $5 billion; Individual Savings had grown to more than $300 billion, and the Consumers' Price Index had risen from 118.2 to 122.3.

All of which paints an intriguing picture to me of an industrial recession with clear inflationary overtones. The National problem confronting all of us, and not merely our elected representatives in Washington, D. C. is how to stop the recession from deepening and yet refrain from such measures as might cause a galloping inflation to overtake the economy — and believe me, we know from experience here and abroad that the latter situation is no picnic.

Sees No Depression

As I have stated on many occasions in the past six months or more, I believe that we will not have a depression; that the economy of the country is fundamentally sound and, that while there have been and there will be adjustments in industry, the financial outlook over the next several years is extremely promising. As a matter of fact, many of the adjustments we have experienced and will experience in the near future, I believe most of us, on careful analysis would have to agree, are to be expected and are necessary for long-term economic stability and prosperity.

Headlines do not end recessions, but I firmly believe that at the present time we need in this country a psychological boost. There is a need for National optimism — an optimism that is well justified. I call attention to this fact because, in traveling about in business and in other circles recently, I have noted an extraordinary number of long, dour faces on the business scene: the harried appearances of a growing number of pessimists who have come to the conclusion that our economy is skidding badly and that a severe depression is in prospect.

I, for one, must say that I heartily disagree with those prophets of calamity. I am no "Pollyanna," who protests that there is nothing to be concerned about, but it is my view that there are sound reasons why we can, over the next several years, look forward with confidence to an era of economic prosperity.

I do believe, obviously, that no "1929" is in the making. Our National economic controls and new financial circumstances militate against any such dismal conclusions. We have only to enumerate our present built-in safeguards, which were absent 25 years ago, to recognize the validity of this conclusion. Take, for example, insured bank deposits and insured savings and loan accounts; farm price supports, unemployment insurance, social security, flexible Government money-management, long-term home mortgages with amortization provisions, and the factor of scheduled Government spending.

I do not mean to intimate that I expect the present recession to end and a boom to start again next week or, frankly, in the next few months. But I feel certain that by the beginning of next year, we will have had ample cause for rejoicing.

The big question that confronts us at this time is not whether we will have a severe depression, but whether we can live in a state of total cold war, or rather wage total peace — meet the costs that this entails, and lick the present recession within a reasonable time.

We must realize that we have now posed before us the problem of adjusting to an extended period of expensive, constant preparedness. Our present National task is to continue, in the protracted period of international tension that lies before us, a program of supplying missiles and guns for our military forces, butter for our people, and military and economic assistance for our allies, so long as they may require it.

National Defense

I should like first to comment on what I regard as the most important and pressing element of our problem — National defense. The proposed gigantic "plowshares into missiles" budget, submitted by President Eisenhower on Jan. 13, 1958, for the coming 1959 fiscal year, represents a staggering $74 billion, and we know already that this budget is obsolete—inadequate.

This budget and its revisions have been and will be drafted for extraordinary times. A great part of the budget will be allocated to the peace—and such expenditures, far from being improvident, are both wise and essential.

Almost two-thirds of the expenditures for the Fiscal Year 1959 have been and will be reserved for major National security programs, both domestic and foreign.

Large though they may be, and growing though they are, we cannot gainsay the wisdom of these defense expenditures. It should be, and I am confident it will be, money well spent. Paradoxical though it may sound, every dollar spent for missiles and guns is a dollar spent for peace, for we can be secure only so long as we are too powerful to be attacked. If there be errors in this figure, let us hope that the errors shall prove to be those of spending too much rather than saving too much for security. I should much prefer to allocate a little more to defense, and discover I had allocated too much, than to allocate too small a sum and discover too late that the sum provided was inadequate.

Of the billions of dollars to be expended for major National security programs, a relatively minor percentage, although a significant amount, over $3 billion, will be reserved for our mutual security program—to lend a helping hand to other nations less fortunately situated than ourselves, to provide those nations with the arms they need to withstand attack, armed insurrection, and subversion, and to help them combat and overcome the prevailing disease, hunger, poverty, and ignorance which provide so fertile a soil for the propagation of communism. This, too, is money well spent. We all must know by now that we cannot forever survive alone on our little "island." We need allies in the present struggle — allies who are not merely militarily strong, but physically and economically sound, able to stand with us in the universal fight for freedom.

Large Deficit Ahead

The necessity for these huge and increasing defense expenditures and the decline in anticipated Governmental revenues attributable to the business recession bring us according to experts within and out of the administration, face to face with a deficit for the 1958-1959 fiscal year in the area of $5 to $10 billion—and most experts lean in the direction of the higher figure. So let's sum up in this way: we **will have** a deficit, and we **do have** a recession. In the face of this, I should like to ask to what extent should we **now** tinker with our economy through special legislation in attempts to avoid or alter the adjustments we are experiencing.

Political Contest in Offers

Our elected officials from both parties are today vying with each other to legislate us out of the recession. Some choose the avenue of a tax cut, others a public works program or pump priming expenditures of like nature, and others a combination of these. They all seek to end the recession by artificial means, few, if any, heeding the dangerous economic consequences of creating in a single year a deficit in the vicinity of $15 billion.

I do not mean to imply that I am one of those economists who throw up their hands in horror at the mere mention of budget deficits and insist that the Government must, under any circumstances, pay as it goes. I feel that that would be the ideal way to run this gigantic Government business, and would be the best possible insurance against a recurrence of strong inflationary pressures. However, I recognize that in the light of the present international situation we cannot hope to achieve the blessed state of pay as you go in the near future. And, much as I, personally, would like to see a tax reduction, I must strongly express my opposition to such a step now as well as to any step up in domestic non-defense spending initiated strictly as an anti-recession measure.

If a Choice Must Be Made

If we had to make a choice, I believe that, strictly on the basis of its efficacy in temporarily giving relief from the recession we should follow the route of tax reduction. I make this choice because of the feeling that at the same National cost (increase in the deficit) it would make money more widely and more quickly available and result in a more rapid increase in consumer spending. I wish to make it clear that I believe that at the right time, and under proper circumstances, we should reduce taxes drastically. In addition, I do not rule out tax revisions now that would eliminate inequities and those revisions, such as changes in the capital gains tax) which, in my opinion, would result in an increase in the Government's revenue.

I frankly believe that the economy will straighten itself out—and faster—if it is left alone.

Historically speaking, our economy is in good shape. Although over 5,000,000 are unemployed, almost 62,000,000 are working steadily, and individuals savings readily convertible into cash are at an all time peak of $300 billion. Because so much has happened industrially in recent months and because conditions are not all they might be right now, we sometimes forget the tremendous potential of tomorrow. So much has been said lately about rockets and missiles that many of us have forgotten the future of new drugs, foods, chemicals, and a host of other new and improved products. There are new methods for almost everything.

The atom bomb itself, whose **industrial** possibilities have yet to be fathomed, is relegated by some to a "has-been" status just because more super bombs have been developed. Yet recently nuclear scientist, Dr. Willard Libby, told the Senate Foreign Relations subcommittee on disarmament that a tiny atom bomb made a Nevada mountain jump six inches. In the process, it crushed and stored 400,000 tons of rock—its radioactivity safely sealed for future use. A tiny atom could be exploded to make a deep harbor where none existed before. Depleted oil fields could be reactivated and some made substantially productive again. Underground supplies of water could be stored in subterranean reservoirs, and pumped back to the surface for irrigation.

This will not be a hundred years from now—this is in the cards for the foreseeable future. How soon depends on our actions as individuals and businessmen and, I must add, not on those of the Government.

*From a talk by Mr. McCormick before the Greater Tampa Chamber of Commerce, Tampa, Fla., March 27, 1958.

Randolph Browne

Randolph Browne, associated with Bieder and Company, St. Petersburg, Fla., passed away from a heart attack while driving his car. The car was observed to slow down and gradually turn into a ditch where it came to a stop against a culvert, without serious damage to the car. Mr. Browne had been in the investment business in Washington, D. C. and Cleveland in the past.

Texas IBA Group Convention Program

HOUSTON, Tex. — About 500 members are expected to converge on the Shamrock Hilton for the 23rd. annual convention of the Texas Group Investment Bankers Association convention April 23-25.

The three-day convention will feature top speakers, Texas-sized entertainment, election of officers, and vital business sessions, announced convention chairman Walter M. Sorenson of the investment firm of Rotan, Mosle & Co.

Among the top speakers, who will be heard following the continental breakfast on April 24, are Houston's Mayor Lewis Cutrer, who will give the welcoming address; W. C. Tom Walker, chairman of the board of Transcontinental Gas Pipeline Co., and Edward N. Gadsby, Chairman of the Security and Exchange Commission.

The convention will begin with registration on April 23, to be followed at 6:30 p.m., that day by poolside reception.

This reception will be sponsored by the Houston Financial community — composed of local attorneys, bankers and brokers.

The agenda on the second day will include the continental breakfast at 9, business session at 9:45 a.m., luncheon in the Emerald Room at 1:15 P.M., election of officers, and a champagne bruncheon and style show for the ladies.

The day will be climaxed by a dinner meeting at one of the city's famed private clubs.

Activities on Friday will feature recreation at the Lakeside Country Club — with emphasis on tennis, golf, swimming, and luncheon.

The day — and the convention will be climaxed Friday night by the President's Ball, a formal event, preceded by a reception, honoring Investment Bankers of America Association president, W. C. Jackson, First Southwest Company, Dallas.

Three With Wm. N. Pope Firm 26 Years Old

SYRACUSE, N. Y. — Llewelyn Woodard of Camden, New York, Alan F. Coates of Syracuse and John H. Tiffany of Chittenango, N. Y. are registered representatives newly affiliated with William N. Pope, Inc. ground floor, State Tower Building, Syracuse, N. Y. William N. Pope Inc. have just concluded their 26th year. Organized in 1932, the firm now has 14 Registered representatives serving Central and Northern New York State.

Join Amott, Baker

Amott, Baker & Co., Incorporated 150 Broadway, New York City, members of the New York Stock Exchange, have announced that P. George Labé, Bernard H. O'Connell and Edward B. Tustin, Jr., have become associated with their New York Office as Registered Representatives. All three have had extensive previous experience in the investment business.

C. A. Botzum Adds

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—John W. Llewellyn has been added to the staff of C. A. Botzum Co., 210 West Seventh Street. He was formerly with Cavendish & Co.

Two With Schwabacher

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Earl E. Hansen and Ralph T. Welsh have become affiliated with Schwabacher & Co., 100 Montgomery Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Willard C. Butcher has been appointed a Vice-President of the **Chase Manhattan Bank, New York** it was announced on April 7 by George Champion, President.

A member of the staff since 1947, he was assigned to the Grand Central branch in 1948, appointed an Assistant Manager in 1953 and advanced to Assistant Vice-President in 1956.

Mr. Butcher will succeed G. Kellogg Rose, Jr., Vice-President, as officer in charge of the branch when Mr. Rose retires later this year.

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THE CHASE MANHATTAN BANK, N. Y.

	Mar. 31, '58 $	Dec. 31, '57 $
Total resources	7,833,541,199	7,809,784,526
Deposits	6,868,020,047	6,884,500,209
Cash and due from banks	1,895,040,018	2,001,534,526
U. S. Govt. security holdgs.	1,252,836,696	1,151,802,281
Loans & discts.	3,632,390,776	3,737,123,272
Undivid. profits	95,073,436	84,551,090

* * *

Hugo Heuermann has been appointed Assistant Secretary of **Chemical Corn Exchange Bank, New York**, it was announced April 4 by Harold H. Helm, Chairman. Mr. Heuermann is with the Bank's Investment Division at 30 Broad Street. The appointment of Arthur W. Nelson and Miss M. Marie Meath as Assistant Managers was also announced. Mr. Nelson is with the Bank's Municipal Bond Department at 30 Broad Street and Miss Meath is at 55th Street and Park Avenue Office.

Richard T. Daly, James C. Faust and Robert J. Weigel have also been elected Assistant Managers of **Chemical Corn Exchange Bank**. All are with the Bank's Metropolitan Division.

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CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Mar. 31, '58 $	Dec. 31, '57 $
Total resources	3,221,144,079	3,310,208,023
Deposits	2,823,406,092	2,933,275,719
Cash and due from banks	799,334,196	928,662,276
U. S. Govt. security holdgs.	542,445,194	480,438,148
Loans & discts.	1,411,123,436	1,468,755,111
Undivid. profits	39,514,527	37,674,790

* * *

The appointment of Albert Roeder an Assistant Vice-President of **Manufacturers Trust Company, New York** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Roeder began his banking career in 1929 with **Brooklyn Trust Company** where he was appointed purchasing agent in 1932. He joined Manufacturers Trust Company when the two banks merged in 1950 and was appointed an Assistant Secretary in 1951.

At present, Mr. Roeder is assigned to the purchasing and maintenance division of the bank's general services department.

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MANUFACTURERS TRUST CO., N. Y.

	Mar. 31, '58 $	Dec. 31, '57 $
Total resources	3,392,797,468	3,348,233,137
Deposits	2,986,295,456	2,966,201,511
Cash and due from banks	917,560,412	979,533,805
U. S. Govt. security holdgs.	754,691,849	701,080,360
Loans & discts.	1,256,271,260	1,255,767,526
Undivid. profits	63,258,234	60,685,826

* * *

William H. Moore, Chairman of the Board of **Bankers Trust Company, New York** announced April 3, that James K. Campbell and Joseph R. McLees, both associated with the Bank's division servicing accounts in the Mid-Atlantic and New England areas, have been named Vice-Presidents.

Mr. Moore also made known the election of Gordon L. Bishop, with the Bank's Trust Department Business Development Division, to Assistant Trust Officer; Thomas C. Miller, with the Metropolitan Division, to Assistant Treasurer and Randolph F. Rogge, with the Corporate Trust Division, to Assistant Secretary.

Mr. Campbell joined Bankers Trust Company in 1935 and was named an officer of the Bank in 1948 and elected an Assistant Vice-President in 1951.

Mr. McLees began his banking career with Bankers Trust Company in 1929 as a messenger. He subsequently served with the Comptrollers Division before beginning his present assignment in 1947. He was named an officer in 1948 and as Assistant Vice-President in 1952.

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THE FIRST NATIONAL CITY BANK OF NEW YORK

	Mar. 31, '58 $	Dec. 31, '57 $
Total resources	7,782,858,145	7,636,750,881
Deposits	6,836,569,280	6,692,688,345
Cash and due from banks	1,958,669,243	1,899,087,995
U. S. Govt. security holdgs.	1,150,088,288	1,156,472,300
Loans & discts.	3,887,216,612	3,867,671,355
Undivid. profits	84,913,142	82,299,440

* * *

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	Mar. 31,'58 $	Dec. 31,'57 $
Total resources	162,973,950	165,887,304
Deposits	121,257,590	124,176,818
Cash and due from banks	42,096,925	49,774,371
U. S. Govt. security holdings	83,344,122	79,146,632
Loans & discounts	2,384,790	2,342,908
Undivided profits	13,491,867	13,464,953

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY, NEW YORK

	Mar. 31,'58 $	Dec. 31,'57 $
Total resources	149,867,067	164,407,496
Deposits	135,263,503	149,817,510
Cash and due from banks	34,420,836	44,034,031
U. S. Government security holdings	37,147,141	42,574,970
Loans & discounts	74,403,104	74,516,283
Undivided profits	1,672,497	1,640,302

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COMMERCIAL STATE BANK AND TRUST COMPANY, NEW YORK

	Mar. 31,'58 $	Dec. 31,'57 $
Total resources	120,356,038	119,472,818
Deposits	103,609,452	108,247,070
Cash and due from banks	17,305,831	21,341,564
U. S. Government security holdings	34,497,348	35,974,088
Loans & discounts	58,422,294	57,204,788
Undivided profits	1,955,377	1,799,819

* * *

UNDERWRITERS TRUST CO., NEW YORK

	Mar. 31,'58	Dec. 31,'57
Total resources	$40,818,295	$43,653,203
Deposits	36,770,277	39,088,048
Cash and due from banks	7,562,336	7,176,340
U. S. Government security holdings	13,631,512	16,764,520
Loans & discounts	14,299,072	15,437,402
Undivided profits	1,569,569	1,538,410

* * *

THE CLINTON TRUST CO., NEW YORK

	Mar. 31,'58	Dec. 31,'57
Total resources	$39,532,133	$40,391,046
Deposits	36,345,698	37,289,872
Cash and due from banks	8,598,780	9,171,202
U. S. Government security holdings	14,953,983	14,353,497
Loans & discounts	12,591,754	13,439,041
Surplus and undivided profits	1,328,470	1,409,428

* * *

FEDERATION BANK AND TRUST COMPANY, NEW YORK

	Mar. 31,'58 $	Dec. 31,'57 $
Total resources	128,190,462	122,305,265
Deposits	116,633,175	110,901,266
Cash and due from banks	21,448,620	25,276,749
U. S. Govt. security holdings	30,407,233	30,053,902
Loans & discounts	52,021,086	49,937,280
Undivided profits	869,011	826,121

* * *

Reese H. Harris, Jr., Senior Vice-President and a Director of **Connecticut Bank & Trust Company, Hartford, Conn.** was elected an Executive Vice-President and a Trustee of the **Hanover Bank, New York.**

* * *

Appointment of O. John Betz, Jr., and Karl R. Henrich as Vice-Presidents of **Guaranty Trust Company of New York** was announced April 7 by J. Luther Cleveland, Chairman of the Board of the Bank. Mr. Betz, formerly Second Vice-President, becomes associated with the Banking Department group of officers that handles the Bank's relationships in the West Coast territory. Mr. Henrich, formerly trust officer, continues his association with the Corporate Trust Department.

Other Guaranty appointments announced at the same time are those of William E. Bensel, Roderick M. MacDougall, and Raymond C. White to be Second Vice-Presidents, and Harry E. Hair and William Q. Harty to be Assistant Treasurers.

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John Clinton Robbins, a Director and a Vice-President of the **Bank of Babylon, Babylon, Long Island**, died April 7 at the age of 71.

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Clark E. Dixon, Vice-President in charge of **The County Trust Company's** Pleasantville office today completed 35 years of service with the Bank.

* * *

George E. Schmitt, a Vice-President of the **National Bank of Westchester, White Plains, New York**, died April 6. His age was 49. Mr. Schmitt was in charge of the Bank's main office, and had been a Vice-President since 1954. Formerly he had been a Vice-President and Cashier of its predecessor, **The Peoples National Bank and Trust Company, New York.**

* * *

Directors of both Banks have approved the merger of the **First National Bank of Warwick, N. Y.**, into the **County National Bank, Middletown, N. Y.** Preliminary approval has been received by the Controller of the Currency.

* * *

"The First National Bank of South Fork, Pennsylvania, with common capital stock of $50,000, has gone into voluntary liquidation by a resolution of its shareholders, dated March 6, effective at close of business March 8. Liquidating agent: Mr. T. F. Brubaker of Indiana, Pennsylvania. Absorbed by: **First National Bank in Indiana, Pennsylvania.**

* * *

Horace B. Hogeland, one of the nation's oldest active bankers died April 1 at the age of 96. Mr. Hogeland had worked for the **First National Bank and Trust Company, Pa.** for 80 years, starting as a clerk. He became President of the **Bucks County Institution** in 1927 and presided at the last annual meeting of the Bank's Directors in January.

* * *

Merger certificate was issued, March 27, approving and making effective as of the close of business March 27 the merger of **Union National Bank in Mount Wolf, Mount Wolf, Pa.**, with common stock of $50,000, into **The York National Bank and Trust Company, York. Pa.**, with common stock of $1,250,000. The merger was effected under the charter and title of **The York National Bank and Trust Company.**

* * *

Promotion of Robert A. Bower, Assistant Vice-President of **Ohio Citizens Trust Company, Toledo, Ohio** to the trust department as a business development and customer relations executive has been announced by Willard I. Webb, Jr., President.

Mr. Bower, who has been doing similar work in the Bank's commercial division, takes over his new duties April 1.

He has been with the Bank since 1955 as Assistant Vice-President.

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Mar. 31,'58 $	Dec. 31,'57 $
Total resources	318,656,024	318,927,173
Deposits	285,775,535	287,407,862
Cash and due from banks	18,739,221	19,160,091
U. S. Government security holdings	78,640,183	70,747,935
Loans & discounts	175,752,090	184,237,412

* * *

	Mar. 31,'58 $	Dec. 31,'57 $
Total resources	1,874,671,775	1,968,809,785
Deposits	1,707,841,767	1,803,198,064
Cash and due from banks	360,425,423	441,935,419
U. S. Govt. security holdings	621,912,673	654,595,166
Loans & discts.	677,174,562	706,649,898
Undivid. profits	23,531,584	21,847,288

* * *

By a stock dividend the common capital stock of the **Exchange National Bank of Winter Haven, Fla.** was increased from $200,000 to $400,000 effective March 31. (Number of shares outstanding—4,000 shares, par value $100.)

* * *

Harry E. Hudson, Vice-President of **California Bank, Los Angeles, Calif.** retired March 31 with more than half a century in the banking profession.

Mr. Hudson, who was in charge of the bank's Santa Monica offfice, marked the completion of 51 years service on Feb. 1. His record is unmatched among the bank's 3,200 employees.

He began his career in banking as a messenger in 1907 with the **Bank of Santa Monica** and moved up to become Cashier and a director. In 1922 that bank merged with California Bank. Mr. Hudson was named an Assistant Vice-President of California Bank in 1924 and in 1937 he was elected a Vice-President by the Board of Directors.

The Changing Face of Labor-Management Relations

By MILTON C. LIGHTNER*

President, National Association of Manufacturers and Chairman of the Board, Singer Manufacturing Company

Singer Manufacturing Company Chairman and President of N. A. M. critically discusses labor's record and unavailing protests regarding it, labor-advanced remedies and Eisenhower program, in calling upon Congress to correct abuses of union monopoly power. Charging unions must be brought under control in order "to put an end to the dictation which threatens our free economy, the rights of individuals, and the political institutions of our nation," Mr. Lightner suggests a legislative program which he avers "is not, and must not be to 'bust' unions or to hamstring them" but would allow employees right to join or not to join a union, restore proper collective bargaining, and assure labor economic conditions be held in reasonable relationship to the market place.

This is a crucial time in labor-management history.

In observing the industrial relations tug of war over the years, we have seen the growing power of organized labor force management and the nation's economy from one vitally important position after another. The power of a few large unions, grown to monopolistic proportions in most of our basic industries, has undermined some of the fundamental principles of sound economic management along with some of the fundamental freedoms of our nation's economic faith, ultimately affecting all of America's people.

Milton C. Lightner

We have seen collective bargaining turned into a brutal farce in many instances, with new demands for inflationary wage increases put forward on a "take-it-or-leave-it" basis. We have seen industry's employees called out on senseless and wasteful strikes. We have seen such strikes prolonged unduly, long after settlements have been reached, apparently for the sole purpose of demonstrating the power of union leadership. We have seen violence, coercion and intimidation used against employers and employees alike. We have seen men maimed and property destroyed by hired thugs, as ruthless union leaders sought to impose their will on free Americans at all costs.

Employers—and many others—protested these things, but these protests were of little avail. The assumption that unions can do no wrong had bemused those charged with enforcing and interpreting the law, as well as many politicians, and most of the public. Bad unions and bad union leaders, as well as the good ones, appeared to be untouchable. Little was done, either by public officials sworn to uphold law and order, or the nation's press, to expose and correct the gross abuses of power and trust which some unions were perpetrating daily.

But now this naked force which many unions have used so ruthlessly appears to have overreached itself. The investigations of the McCellan Committee have shown what happens when a nation ceases to heed the often-demonstrated truth that "power corrupts and absolute power corrupts absolutely." The revelations of this committee have aroused public opinion and brought the American people once again to the realization that power without restraint is dangerous and can have no place in a free society.

In virtually every American walk of life today, there is increasing concern and a rising demand to bring union monopoly power under control—to put an end to the dictation which threatens our free economy, the rights of individuals, and the political institutions of our nation. We cannot allow this appeal to wear itself out unheeded. America's industrial leadership must support that appeal by demanding that legislation to bring union monopoly power under control, and to restore dignity and freedom to American working people, be passed *now!* This year!

Right to Work

Let me emphasize right here that the objective of such legislation is not, and must not be, to "bust" unions or to hamstring them in the exercise of their legitimate functions. Employees have a right to join unions and bargain collectively if they so desire, and this right must be preserved. But they also have a right not to join if they don't want to, without losing their jobs, and this right must be protected.

The objective must be to restore collective bargaining to its rightful place in the economic picture — to enforce respect for the rights of employers, employees and the public at the bargaining table, in law and in fact. The aim is to assure that fair wages and conditions of employment, as well as labor costs can be maintained in some reasonable relationship to the demands of the market place. The objective must be to return to labor-management relations the criteria of justice and individual freedom. The aim must be to check the drift of labor relations toward class hatred, the regimentation of people, and social revolution by the manipulation of labor's political power. Unless we can do this, all our discussions and decisions here on the techniques of industrial relations may be academic before very long.

Union Monopoly Problem

With this in mind, let us examine the problem of union monopoly power as it stands today.

First, let's give some thought to the flaws in the basic laws now governing labor-management relations — the flaws that permit union abuses to continue.

Second, let us see why and how the AFL-CIO's Ethical Practices Codes as well as the Federal Administration's labor reform proposals are inadequate.

Third, let us consider how effective action to end union monopoly power may be obtained—must be obtained—during the present session of Congress.

I proposed that we begin by considering the basic failings of the present laws and precedents governing the conduct of labor unions. Fundamentally, these laws and their interpretations fail through granting to one segment of society—to labor union leadership — indulgences beyond those permitted to any other group. And they do so without imposing the balancing limitations of responsibility which sound and just laws must provide.

As a result of these unwise and short-sighted legal boons, labor unions and their leaders today can operate as if they lived in a world of their own. The law excuses them from their just responsibilities to employers, to their own members, to the nation's economy and to society as a whole.

Specific court rulings have granted unions immunity from the fair and equitable restraints on monopolistic practices applied to American business. If a business firm attempted to restrain trade or to reduce competition, the penalties of the law would be swift and severe—and rightly so. But union leaders can hinder the distribution and sale of products, combine to deprive the public of goods and services, and manipulate the price and supply of union man-power nation-wide. On the pretext that "labor is not a commodity," these abuses enjoy the blessing of the law.

In this nation where the handling of other people's money is hedged about with the most elaborate legal safeguards, the law makes notable exceptions for the leaders of labor unions. These men are permitted to collect and manage millions of dollars in union dues and welfare funds, and revelations before the McClellan Committee show that union officials in many cases behave as if these funds were their own private piggy banks. Some unions, it is true, make audited financial reports — but others make none whatsoever.

It is also true that, if a union wishes to add to its indulgences under the law the extra dispensations of NLRB sanction, its leaders must go through the motions of filing financial reports with the Secretary of Labor. But the Secretary of Labor is powerless to question the accuracy of these reports, even if he knows that they are complete shams. And these reports are not made public.

Remaining Honest Unions

The wonder is that there are *any* honest unions left in the country, with the laws as they are. Those unions that still remain fair and honest with their membership, their employers and with the body politic—and there are a number of them — are tempting targets for ambitious racketeers, and deserve better legal protection.

Not only are the leaders of labor unions permitted these favors at the expense of society—they are given the power to enforce them by compulsion. Under the laws of 30 of our 48 states, labor leaders can oblige American men and women to join their unions in order to earn a living at their trades. Labor leaders can then require otherwise free Americans to remain members of their unions — by compulsion. Through the check-off system, labor leaders can extract union dues from their members' pay — by compulsion. This power is what permits those who govern labor unions to ignore the wishes and the rights of union members, and to flout public opinion. It makes American labor movement more attractive and profitable to the underworld than gambling, dope or vice. It enables gangsters and their willing union associates to operate much of the nation's labor movement as their own private racket.

All of these flaws of indulgence without responsibility in America's labor laws have been pointed out repeatedly in the past. Union leaders have replied that such warnings and alarms were the exaggerations of "labor-baiters and union-busters." Today, this rebuttal is no longer open to the men who run many American unions as their own private sovereignties. For the same warnings are being issued at long last by labor's best friends.

American Civil Liberties Union

The American Civil Liberties Union has for years been allied heart and soul with the labor union movement. It is the very antithesis of a "labor-baiting" or "union-busting" organization. But shortly, the American Civil Liberties Union will issue a report that will say in part as follows:

". . . Congress has accepted, as a legitimate extension of collective bargaining, a provision in the contract between a labor union and an employer that all of his employees must join a union if the majority of them so decide. This grant of 'private sovereignty' transforms a voluntary association into a quasi-public body, which has a special responsibility for exemplary conduct toward all of its members.

"An organization with far-reaching control over the power of its members to earn a living must guarantee to them in internal democracy the equivalent of what the Constitution requires our government to guarantee to its citizens — free speech and fair procedures and non-discrimination."

We have all been reminded by the McClellan hearings of the cost of laws which grant private sovereignties without corresponding responsibilities. In the words of one of the McClellan Committee's members, Senator Carl Curtis "More than 250 witnesses have paraded before that Committee telling a story of the misuse of funds, corruption, violence, beatings, misuse of power, collusion and gangsterism."

In the Portland area, the racketeering of Dave Beck's Teamsters and other unions has spun a web of crime and corruption ensnaring city and state officials and prosecutors charged with maintaining law and decency. At least $320,000 of union funds paid for Dave Beck's $196,000 house, for $117,000 of his personal bills and loans, and for such items as his rugs and custom-made neckties. Teamster funds maintained Frank Brewster's horse van, his box at the racetrack and his Palm Springs country club dues. Teamster funds financed bars and gambling houses and set union officials up in the pinball machine racket.

In Scranton, McClellan Committee testimony revealed, union tactics included dynamiting a house, throwing kerosene over a non-union dairy driver's wares, stink-bombing a bakery, and overturning the baker's truck and threatening his family.

In Washington, an elderly member of the Operating Engineers Union was kicked in the stomach by goons at a national meeting when he objected to undemocratic procedures in his local. The union's national president remarked casually that there was nothing unusual in this.

In New York, the nation's worst racketeers and hoodlums entered the business of running labor unions. "Paper locals" with no members were organized to rig union elections and for purposes of extortion and blackmail. Johnny Dio, a notorious felon, was connected through wiretap recordings with thrice-convicted Jimmy Hoffa—but this did not stop the cynical choice of Hoffa to succeed Dave Beck as the Teamsters' national president.

In Chicago, a union boss forced a union local official to resign at gunpoint. . . . In the South, labor union goons beat up employees and dynamited their property while law officers looked the other way, failing to investigate 137 cases of violence.

The McClellan hearings have laid bare a nation-wide pattern of venality, violence and connivance to gain control of law enforcement and of the very governments of our communities and of our nation. This is the cost of the flaws in our present laws regarding labor unions.

Labor Advanced Remedies

As our second step, let us consider the remedies advanced so far by the AFL-CIO. Fearing for its privileges if an outraged nation should act to end labor excesses, it hastened to placate public opinion by publicizing six codes of ethical practices. These codes, largely in existence before the McClelland hearings, do little to solve the real problem. They seem designed instead to rid the AFL-CIO high command of the embarrassing affiliation of individual union leaders caught with their hands in the cookie jar. The ethical practices codes do nothing to put the cookie jar of compulsory unionism and monopoly power out of reach.

In summary, these six codes frown upon "paper locals" and raiding other member unions. They disapprove of convicted felons as union officials, and of the personal thievery of union funds. They express official displeasure at kickbacks and under-the-table deals with employers. And they oppose outright travesties on democracy in union internal affairs —*except* when honesty and fair play would undermine the union's power.

No code adopted as yet by organized labor deals with the obligations of a union to society, to employers or to the economy of the nation. The AFL-CIO codes permit the parent organization to disembarrass itself of its Jimmy Hoffas, its Teamsters, and of its International Longshoremen. But nothing that the AFL-CIO can do, or will do, will diminish Jimmy Hoffa's gangster-enforced stranglehold on his union's members and on the nation's transportation. Nor can it unseat the racketeers who control the ILA and the waterfront.

Eisenhower's Program

That leaves us with the government's recommended program for dealing with union abuses. President Eisenhower, in his labor message to Congress in January, made some constructive suggestions, but it would appear that the President's aides would not or could not furnish a suggested labor legislation program that goes far enough. The Administration's proposed program is largely concerned with reports that union leaders would be required to file.

In the first place, such reports by union officials would be much more beneficial if they were disseminated accurately and honestly among their own membership than if they were filed as proposed, with a new bureaucratic office in Washington. In the second place, the McClelland hearings have revealed widespread looting of union benefit funds put up by employers. Yet the proposed legislation opens the way for Federal surveillance of employer benefit funds, an illogical and unnecessary measure.

In my opinion, a much more realistic program could be based on the recommendations of one of the members of the McClellan Committee itself — Senator Carl Curtis of Nebraska. In a recent address, Senator Curtis urged legislation which, unlike Administration proposals to date, goes to the very heart of the problems involved instead of dealing merely with the symptoms of legalized, unrestrained power.

Senator Curtis called for legislation in seven categories:

(1) To require a thorough accounting for union dues and welfare funds.

(2) To assure a greater control of unions by union members.

(3) To outlaw the practice of exerting pressure on neutral busi-

*An address by Mr. Lightner before the 30th N. A. M. Institute on Industrial Relations, Hollywood, Fla., March 10, 1958.

nesses where there is no labor dispute.

(4) To prevent more effectively the use of union funds for political purposes.

(5) To restrain the concentration of union power against the public interest through the application to unions of anti-trust and anti-monopoly principles.

(6) To check violence and property destruction in connection with union activities; and

(7) To require that union membership be voluntary and not compulsory.

On this last point, Senator Curtis observes that "No American citizen should be required to belong to any organization in order to secure or to hold his job. No American citizen should be required to refrain from joining any lawful organization he chooses in order to secure or hold his job." I am convinced that until this right to work is given universal legal protection, abuses of union power will again and again take root and flourish.

My third point today is that unless effective action is taken during the present session of Congress, the entire value of the McClellan hearings may be lost. How can the people of America induce the Congress to adopt the necessary measures?

Let us not assume that the McClellan investigations will be followed automatically by adequate corrective steps. A few seasons ago, the Kefauver Senate investigation spotlighted the nation-wide underworld gambling syndicate every bit as spectacularly as the present hearings have spotlighted labor abuses. Yet the gambling syndicate, with some slight changes in minor personnel, is today as powerful and profitable as ever.

Rep. Gwinn's Letter

The overlords of corrupt labor, as a matter of fact, have an even better chance than the underworld's gambling czars to survive the glare of exposure and public indignation. Why is this? A recent letter written to several businessmen by a member of Congress, Representative Ralph W. Gwinn of New York, brings out the difficulties of correcting labor abuses through legislation. His letter says in part:

"First, you should know that labor—or rather the top officials of the organized unions—dominate Congress; 176 members of the House have benefitted from union distributions, free campaign help, radio, TV time, advertising, extensive publicity in the labor press, scores of voluntary workers furnished by the unions, doorbell ringers, telephone brigades and all the rest of it."

The letter goes on to say that "our trouble is not that we don't know what legislation is needed. We don't have the votes to get it passed."

Representative Gwinn points out that candidates for Congress are now being picked. He urges that businessmen take a more active part in the election to Congress, district by district, of men not already pledged to the labor machine and to the anti-free-enterprise point of view. But meanwhile the nation is faced with the now-or-never need to convert the McClellan Committee's achievements into an adequate clean-up before adjournment of the present Congress allows the issue to be forgotten.

The means are at hand to accomplish this. As Representative Gwinn pointed out, Congress knows full well what laws are needed. Senator Curtis has spelled out the necessary measures, as have other members of the McClellan committee. And Congress has 435 members. Despite the bloc of 176 men in Congress pledged to labor's leaders, there are enough Congressmen to carry the day if the mandate of public indignation remains sufficiently clear and compelling.

We must provide the moral support that Congressmen of integrity in both parties must have to end the national shame of corrupt labor leadership. America's citizens, individually and through their representative civic and professional groups, will have to shout louder and press harder than the organized forces of entrenched union power.

Through our actions, through our public statements and through every medium at our command, we must remind Congress and the Administration that as a free nation we will no longer put up with monopolistic union control of our working people, our economy and our administration of justice. We must reiterate—daily if need be—that all the necessary evidence has been presented and that time has come for action.

If in our deliberations we can contribute in some measure to the public outcry for adequate and immediate legislative action, we can help to turn the tide. Only in this way can we fully meet the trust that must be ours: the duty to help preserve American justice and freedoms from the rising inundation of union monopoly power.

The Soft Ice Cream Industry: A Giant in Kid's Clothing

By C. A. REED

President, Whirla-Whip, Inc., Omaha, Nebraska

Mid-west manufacturer claims newly "soft" ice cream industry has "hardly scratched the surface" of potential sales. Mr. Reed states principal problem is not saturation of the growing market but pressing need for capital for rapid expansion. Predicts industry will lead hard ice cream industry two-to-one by 1960 at present rate with only 2% of the number of hard ice cream outlets; and upwards of 100,000 hard ice cream dealers will enter the industry as equipment becomes available, not counting foreign markets.

In these days of missiles, moons and self-driving cars, it's sometimes hard for an investor to realize that there are still some simple, domestic developments which can grow to giants in a few short years. That's why I would like to describe the unheralded, but fast growing soft ice cream industry.

Claude Reed

How many industries can claim a fantastic 1500% growth in just 12 years, or offer its retailers a dollar return for 30 cents worth of materials? The mushrooming soft ice cream industry, which, according to reports from the U. S. Dept. of Agriculture, has increased the sale of its product by more than 25% each year since 1945.

There are hundreds of these familiar soft ice cream stores. There's Dairy Queen, with some 3,000 stores; Tastee-Freeze with 1,500 stores and Carvel with about 500. These, the "big three," actually represent less than half of the soft ice cream stores now in operation.

"Soft serve" or "soft ice cream" (it's **not** "frozen custard"!) is a low butterfat-content product, high in proteins, milk minerals, and vitamins. Its nearly perfect nutritional balance (almost exactly that of whole milk) holds strong appeal to the calorie conscious American public. It is a real boon to those whose doctors demand reduction of fat and cholesterol consumption. Served at a temperature of 18 to 22 degrees as compared with 10 degrees for hard ice cream, its texture is mellow and different. This creamy, smooth confection is now being consumed at the rate of 150,000,000 gallons a year.

Actually, we'd have to go a long way to catch up with the 650,000,000 gallon hard ice cream industry, but we're gaining fast. Industry figures show that conventional ice cream will only have a two-to-one sales lead by 1960; and at our present rate, we're doing it with only 2% of the number of hard ice cream outlets.

Describes Industry

In all, there are over 12,000 soft serve drive-ins throughout the country, grossing about $600,000,000. Most of these stores, including the above mentioned "big three" are operated with chain franchise, where the dealer actually buys the stores from the chains on extended terms. Prices range, generally speaking, from $12,000 to $24,000.

The retailer, in most cases, is a manufacturer as well. He pours raw mix into a freezer and literally manufactures the ice cream right in the store. It's dispensed directly from the freezer.

The exception to this rule is in the case of stores which use the patented Whirla-Whip process. Here the operator does not need to be licensed as an ice cream manufacturer, as he buys his mix prefrozen in individual unit portions from a local ice cream plant. He whips the individual unit portions under pressure in the Whirla-Whip machine. One of the big advantages to this equipment is that the operator can dispense an unlimited variety of flavors. A number of operators have switched from the freezer operation and they concur that the new process is simpler and more profitable.

Whirla-Whip process provides a choice of 50-100 or even more fresh fruit or nut flavors without any extra equipment and the process costs far less than conventional equipment. The closest thing to this variety is the big ice cream supermarket built by Tom Carvel in Hartsdale, New York. He invested $80,000 in a store which offers a choice of 53 flavors.

How do Operators Succeed?

Competition grows, of course, from the giant hard ice cream industry and from within our own. How do these 12,000 operators weather the storm? Fairly well, for the average operator nets from $8,000 to $12,000, a few as high as $25,000, and they work just eight or nine months a year. But they work long hours during the season—usually seven 15-hour days a week.

Failures are few and far between. One of the "big three" claims **none** to date. Location, of course, is of prime importance. Every chain always surveys a location before approving it for a drive-in. They have an accurate formula for determining whether or not a location is satisfactory. Factors include type of road, rate of traffic flow, speed of traffic, calibre of neighborhood, accessibility of driveway, etc.

Several companies have eliminated the location problem by putting the store on wheels. Polar Cub Mobile Units, Inc., of Vincentown, New Jersey and Mr. Softee, Philadelphia, Pa., have developed mobile units on forward-control truck chassis so that the operator can follow a regular and profitable neighborhood route. These units can handle a volume of business comparable to a small store, but the investment and overhead is considerably less. Polar Cub, incidentally, found the answer to strict codes regarding "manufacture" of ice cream on mobile units when they switched from a conventional freezer to the Whirla-Whip process.

100,000 Will Shift From Hard to Soft Cream

Surveys and market analysis show that upwards of 100,000 present "hard" ice cream dealers would immediately enter the soft serve field if satisfactory equipment was available. In addition, world wide market potential is pointed up by ever increasing foreign inquiries and personal visits of ice cream manufacturers from around the globe to inspect our new process.

The question that's most commonly asked is, "Has the soft ice cream industry reached the saturation point with over 12,000 stores?"

Naturally, I can't answer for the industry, but I do have a good "feel" of the ice cream business after having been in it for over 25 years. I feel this industry has hardly scratched the surface.

Capital Shortage Problem

Our problems are not in the saturation of this growing market, but in the pressing need for capital for rapid expansion. With proper capitalization untold thousands will be able to enter new outlets to sell soft serve for the first time.

There are, of course, isolated situations of saturation where stores of competing chains are located across the street from each other. But they **both** thrive. This is probably due to the growing popularity of soft ice cream and tremendous flow of traffic in each direction.

Nobody figured our automotive population would have grown so tremendously in the past decade, and that growth has contributed to the fantastic growth of the soft serve industry. In addition, improved mixes, equipment, variety in flavors and mobility all play and will continue to play a major role in the industry's growth.

Who can predict the potential of such an infant giant in American business?

Leon Mazursky Opens

REGO PARK, N. Y.—Leon Mazursky is conducting a securities business from offices at 97-40 Sixty-second Drive.

B. E. Thornton Opens

PASADENA, Calif. — Bruce E. Thornton has opened offices at 76 South Sierra Banita to engage in a securities business. He was formerly with Daniel D. Weston & Co., Inc.

Legislating Proper Controls for Pension and Welfare Plans

By JAMES T. O'CONNELL*
Under Secretary of Labor
U. S. Department of Labor

Administration's expert estimates present investments in pension trust funds amount to $31 billion and will reach $80 billion before leveling off. Despite recently exposed abuses, Mr. O'Connell states problems of economic impact that could arise from investment of such a large sum are apt to be "more complex and important" than matters of corruption. Submits there should be such controls as registration, reporting, and public disclosure of operation of all welfare and pension plans. States national economic impact of the billions of dollars involved is a matter of grave concern to the government.

We are exceedingly hopeful, however, that Congress will heed the President's recommendation in his recent Labor Message and reassure the American public that money set aside for the benefit of working men and women and their dependents in pension and welfare plans will be accounted for. Leaving predictions aside, I welcome the opportunity to discuss the Administration's reasons for sponsoring legislation to provide such an accounting and the way it would be accomplished under the Administration's proposal.


James T. O'Connell

As early as January 1954, President Eisenhower had called attention to the need for "a thorough study of welfare and pension funds covered by collective bargaining agreements, with a view of enacting such legislation as will protect and conserve these funds for the millions of working men and women who are the beneficiaries."

Two years ago the Administration submitted a bill to the Congress which would require registration and reporting by these plans in order to cast the healthy glare of publicity upon the operations of these funds. Last year Secretary Mitchell appeared before both Senate and House Committees and testified in support of such legislation. At the moment the Senate Labor Committee apparently is working on a bill in executive sessions, but nothing has yet been reported out in either House.

The importance of employee pension and welfare plans is a fact with which the members of the American Management Association must be quite familiar.

$80 Billion Fund

It has been estimated that one-half of the people of this nation rely directly on the benefits of these plans for medical benefits, retirement pensions, and related welfare benefits. The total amount of money invested in pension trust funds at this time is almost $31 billion. Yet, only one-half of the non-farm labor force now has private pension plan coverage. The growth in these plans that can be expected is therefore tremendous. Experts in the pension field have estimated that the funds will increase to approximately $80 billion before there is a balancing of the contributions into the funds with payments out of the funds.

In one way or another, the vast sums of money invested in these plans have an effect on the total economy which a responsible Federal Government cannot disregard. This effect warrants intensive study. The ultimate problems which may emerge from these holdings will undoubtedly be a great deal more complex than matters centered on honesty of administration. This fact, your group is in a particularly advantageous position to recognize.

The Administration believes that these facts, in addition to evidence already accumulated of abuses in the administration of some of these plans, show an imperative need for Federal legislation to encourage sound and honest administration without real government interference. Many abuses exist now and have received ample publicity through the Congressional committee hearings. They call for an immediate deterrent. We believe that the Administration's proposal would be a practical and effective deterrent.

It may be said that the measure will provide "the timely stitch" to save nine others. Not only will it deter abuses in employee pension and welfare plan administration, but the adoption of a wisely-conceived measure at this time will avoid the necessity of Federal intervention through regulation. We do not want the Federal Government to assume policy-making functions in this realm. This is an area where any actual regulation needed should be done by the States rather than by the Federal Government. The Administration believes its proposals will encourage such State action as is needed.

The Federal Government's role under the Administration's proposal is appropriately circumscribed. The Secretary of Labor would be authorized to receive and disclose organizational and financial information vital to appraising employee pension and welfare plans in the light of the security of the individuals, which is the sole reason for their existence. In this limited role the government will not infringe on the authority of the States in their wisdom to regulate trust funds, insurance matters, fiduciary relationships or related subjects which would affect pension and welfare funds covered by the bill. The proposal, moreover, is in no sense intended to be a substitute for self-policing or the exercise of vigilant oversight by the parties immediately concerned in pension and welfare plan matters.

The Administration's proposal does not contemplate that the Federal Government will stand behind or enforce individual rights under these employee plans. It would provide a source of accurate information about the plans, accuracy induced perhaps in part by penalties for falsification which the bill provides. This information could be used as a springboard for actions for relief by parties whose rights have been violated. Beneficiaries of pension and welfare funds, State law enforcement agencies, union officials, or parties to a collective bargaining agreement creating a particular fund, would have recourse to information indicative of the status of the fund and the financial arrangements upon which the plan, and the beneficiaries' securitly depend. Such information is woefully lacking at the present time and is badly needed.

Disclosure Weapon

Now let's look more closely at the Administration's legislative proposals. They would create one basic duty only—the duty to file with the Secretary of Labor organizational and financial information regarding each pension and welfare plan, and annual reports thereafter of their financial operations. Those responsible for the operation of plans relating to commerce or for which income tax concessions are claimed must file. Disclosure to the beneficiaries and to the public of the information filed is the primary means relied upon for achieving the purpose of the legislation.

The question of coverage, that is, what plans should be included within the scope of legislation along these lines, is probably the single most controversial feature. Many suggestions have been made for excluding certain types of employee pension and welfare plans. These suggestions are so numerous and varied that if we acceded to all of them, we would end up with scant coverage. After intensive exploration of the possibilities of selective coverage, the compelling conclusion was reached that all plans with commerce and Federal income tax concession aspects should be covered by initial legislation, with the possible exception of discretion to exempt small plans.

All workers who are beneficiaries of these plans and their dependents place some reliance upon the future benefits which they promise. Since, regardless of the type of plan and its financing, the potential stake of all beneficiaries is the same, we believe all beneficiaries are entitled to the same kind of protection.

"Level-of-Benefit" Plans

So-called "level-of-benefit" plans are the type of plans for which exclusion is most frequently urged. The plans referred to in this respect are those in which the employer agrees to finance, either wholly or partially, a fixed level of benefits. The employer does not necessarily put up any money under such a plan. He merely agrees to pay that part of the cost of the plan which the employee contributions, if any, does not cover. The employer's undertaking is, therefore, expressed in terms of benefits to accrue rather than in terms of money he will spend. Costs of the plan may vary considerably from year to year, depending on such changing factors as claims experience. I understand that it is not usual in this type of plan for any financial accounting to be furnished employees. This, I think is most important to remember in evaluating the need for including these plans under the proposed legislation.

It seems to me a misleading simplification to say that plans expressed in terms of a certain level of benefits warrant entirely different treatment from other plans. Ultimate collection under level-of-benefit plans is not necessarily assured. The workers' anticipated security may be frustrated because of financial difficulties, or for other reasons, just as under any other type of plan.

Moreover, if we leave out level-of-benefit plans, we will leave out 90% of all plans. Instead of the entire picture, we will end up with a scrap of canvas. The argument is frequently made that it is unlikely that an employer will run up benefit costs in a level-of-benefits plan which he administers by misusing the money needed to operate such a plan. Will he, however, be getting adequate return for his investment dollar? The task of assembling the facts pertaining to his pension or welfare plan for scrutiny by the beneficiaries and the public may give him the incentive to find out. This, I believe, can be one of the great benefits to management from the Administration's proposals.

More Important Than Honesty

It is my understanding that the Internal Revenue Service estimates that of the pension plans qualified for income tax exemptions under the laws its administers, one dies every three days because of financial difficulties. Since 90% of all plans are level-of-benefit plans, a great number of the defunct plans must be level-of-benefit. This brings up a basic and often overlooked consideration. Honesty in management is not the sole purpose which may be served in the process of assembling and reviewing facts pertaining to pension and welfare plans. Efficiency in managing the aggregate pension and welfare investment of some $31 billion also may be stimulated. Examining and accounting for the stewardship of these funds may be a discipline which reveals inadvertent leaks far more disastrous in the long-run to the aggregate investment in these plans than corruption.

A secondary purpose for the comprehensive coverage — which may prove to be of increasing importance as time goes on—is the fact that we do not have any inclusive data regarding these plans. It is time that we did. Once these plans are all registered and financial information concerning them evaluated, the administering agency would be in a position to classify the plans. Only on the basis of knowledge of the plans which actually exist, could we start making sound exceptions.

The Department of Labor would prefer to postpone any exemption authorization until experience has been secured through the actual operation of the registration and reporting program. We have indicated, however, that we would not oppose the vesting of an exemption authority which would operate on a numerical basis related to hardship conditions.

The functions of the administering agency in studying and classifying the plans which would be registered with it take on added meaning in connection with its duty under the Administration bill to report to the Congress. The Second Annual Report must include specific conclusions and recommendations regarding the filing and disclosure program. The duty to make productive studies as a basis for further Congressional action we consider a very significant part of this bill. We would hope to compile definitive data so that Congress would be in the best possible position to chart the future course of the program.

Much concern has been expressed that the information which would be required under legislation of this type would reveal business secrets. Management interests, for example, which finance a particular fund, are reluctant to reveal their investment portfolios relating to the fund. This is understandable. And our bill does not contemplate that such information ordinarily would be elicited. Names of securities would be sought only in connection with investments which might involve some special situation, such as conflict of interest, or very substantial investments in the employing company.

Taking the broad view of this legislation, we hope it will furnish useful insight into the new and rapidly expanding pension and welfare plan area. We hope the results will be sounder plans, better operation and more satisfied management as well as happier and more secure workers. These results would more than justify the inconvenience of the innocent. This program deserves the support of the American people for whose benefit it is intended, and we hope it will soon be enacted by the Congress.

*An address by Mr. O'Connell before American Management Association, Chicago, Ill., March 6, 1958.

Continued from page 3

An Open Letter to Congress

personally responsible, a statement which reflects little credit on the Senator's intelligence. Unemployment is a horrible thing that corrodes and destroys. Ex-President Truman spoke recently as if he finds much satisfaction in pointing to the large volume of unemployment as a consequence of the failures of the present Administration. But in 1950, when he was President and the percentage of unemployment was quite as high as at present, he seemed to think unemployment a pretty good thing. He said "It is a good thing that job-seeking should go on at all times."

Blames Congress

No depression develops from one cause. It is the result of a complex of causes. The first cause of this recession was astronomical government spending. Most of this was for defense purposes. No doubt it was necessary. On top of this was a large expenditure for non-defense purposes, much of it extravagant. For this you, the Congress, were responsible. With enormous revenues from cruelly burdensome taxes you still managed to force deficits.

These government expenditures had a double effect. They created shortages of raw materials that forced up all prices. And they created a double demand for labor and equipment. An unhealthy boom resulted, swollen by unsound consumer credit policies adopted by government and by private enterprise. Big business, very naturally but unwisely, greatly expanded plant capacity and built up large inventories.

Our economy is incredibly rich. It can take a fearful beating. But it cannot take a beating indefinitely. In all probability we could have withstood defense expenditures, extravagant non-defense spending, reckless instalment credit policies, and over-expansion of plants if there had not been piled on these the merciless clubbing of higher wages out of enterprise by the unions in the basic industries, especially construction, steel, and automobiles. These workers were already the highest paid in the history of the world. But they wanted more and got more. Wage costs are more than half the total cost in production. And enterprise, helpless to resist the force and violence you sponsor by law, surrendered and passed the cost on to the consumer, until the consumer could buy no more.

And there you have the causes of this depression, the Congressional spending and the labor anarchy you legalize. And now that you have brought this thing about, you have not the slightest idea what to do about it. Many of you have been loudly demanding an immediate and drastic cut in Federal taxes. As you present this to a public not familiar with technical financial problems, this sounds like a great boon to the harried taxpayer and a great stimulant to consumer buying. It is a vote getter. Actually the proposal is a shameful deception of the voters. If the reduction in tax revenues is exactly balanced by an equal cut in Federal expenditures, there is not one dime of additional consumer spending. And it is a serious

question whether the private spending would be as immediate or as extensive in effect as Federal spending.

But the advocates of tax reduction have no notion of a corresponding reduction in Federal spending. On the contrary, you have in mind not only the present spending program, but even greater spending. In other words, the advocates of tax reduction are urging deficit spending. If any one of you has had the sincerity to say so, I have missed it.

Let's consider this deficit spending as a cure for this recession. There is going to be a large government deficit in any event, since tax revenues at present rates are going to fall off. Adding to this deficit a large additional deficit from tax reduction could ruin the country. The President and those members of your Congress who have rejected the wild proposals of your noisiest members for an immediate tax cut are wholly in the right.

Questions Other Cures

What about deficit spending as a cure of depression? In 1932 Franklin Roosevelt was elected to the Presidency on solemn promises to maintain the gold standard, to balance the budget, and to end the depression. Immediately upon taking office he repudiated the gold standard and embarked upon a program of deficit spending unparalleled in history. When he started in 1933 there were about 11 million unemployed. By 1939 he had added some $23 billion in permanent debt. (We are still paying interest on that debt.) And there were more than 9 million unemployed. A reasonable amount of deficit spending is a mild stimulant to recovery. Huge deficit spending can destroy the value of savings accounts, pensions, insurance policies, industrial bonds, and government bonds. It can make certain a still worse depression later.

What about reduction of required bank reserves and rediscount rates? They have a very limited effect, much like pushing on the reins to make a slow horse move faster.

The reason many of you are hysterically dashing about in this crisis like geese in a thunderstorm is that you do not know what caused this recession and dare not face the essential moves for recovery. The road to recovery is obvious. It is first of all to restore public confidence; confidence on the part of those still employed that they will continue to have work; confidence on the part of enterprises that they can tell in advance what their costs will be and safely lower present prices.

But mere confidence is psychological. It does not start any idle factories. There must be a certain amount of elimination of the bloated evils of the past boom. And there is the necessary exhaustion of the swollen inventories. This is well under way. Then there must be a reduction of the prices of consumer products. And economy in production can accomplish this. Already the old "fair trade," fixed-price, built-in rigidity of prices is being scrapped.

Labor Blockades Lower Prices

There remains one blockade to lower prices and to recovery. At the recent CIO-AFL convention, Richard Gray, head of the enormously powerful 3,000,000 man building trade unions, made a formal address. He proposed that in the interests of recovery the unions should make no demands for higher wages in 1958. It was the most soundly reasoned and most patriotic speech ever made by a union leader. He was attacked violently by Messrs. Meany and Reuther. A union head accused him of "treason to labor." The convention voted overwhelmingly to continue in 1958 their fixed policy of beating out of enterprise unearned wages. With millions out of work, these hundreds of union bosses, under the direction of Meany and Reuther, voted to deepen the depression and throw more men out of work. A bricklayer in New York is already paid at the rate of $9,000 a year on a 40-hour week basis. For 50 years the building trade unions have been a major cause—not the only cause, of course — of slums in which workers on low wages must live.

Have you noted the areas in which unemployment is greatest, depression deepest? It is in Detroit, where the unions have priced automobiles out of the market. It is in the coal regions, where the unions have made unemployment chronic. It is in the steel areas. And in construction everywhere.

This writer hates to see unemployment and bankrupt enterprises and people on relief and lost savings and wrecked lives. For two years President Eisenhower has begged the union bosses to have mercy on the nation. They laugh at his pleas. The Roosevelt Administration managed to keep this country in depression for six years—six long years of social distress and broken lives. This was accomplished by unsound measures—the closing of the banks, the dishonoring of government debts payable in gold, the comic opera NRA. But most of all it was accomplished by two things. One was an unremitting hounding of business enterprise, on which recovery depended. The other was the surrender of the American Government to the union bosses, who wrote the most vicious law in our history—the Wagner Act. And these measures were enacted by Congress. Some of your most respected members were in Congress in those days, and they voted for these legislative blunders.

Wants Congress to Act

This gives rise to a question. Do we have a better Congress than in those days when two-thirds of the House actually voted for the Townsend plan? We do not need a drastic cut in taxes. We do not need a huge deficit. These two could injure the country vitally. That wise man, Bernard Baruch, has told you that these things will not bring recovery. He has urged you to stop wage increases. That other wise man, Herbert Hoover, has urged the same thing.

For recovery we need two things. One is an end to destruction of property and employment ordered by labor bosses at will. The other is a prohibition of wage increases by force, not only in the interest of recovery but even more in the interest of the great mass of low-paid workers, who pay in a poorer living for the extortionate costs created by labor union forces. You could start recovery in six weeks. But will you?

NEIL CAROTHERS

Chicago Analysts to Hear

CHICAGO, Ill.—Clyde E. Weed, President of Anaconda Copper Company, will address the luncheon meeting of the Investment Analysts Society of Chicago to be held April 10 in the Adams Room at the Midland Hotel.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack H. Saunders is now affiliated with Walston & Co., Inc., 265 Montgomery Street.

With Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Oscar S. Herrick has become affiliated with Columbine Securities Corp., 1575 Sherman. He was formerly with Allen Investment Co. and Greenberg, Strong & Co.

Railroad Securities

Delaware & Hudson Co.

Delaware & Hudson Co. is expected to have a relatively small decline in net income as compared with a number of companies engaged in the railroad field. The operating railroad company, Delaware & Hudson Railroad Corp., showed a drop in traffic of more than 25% in the first two months of this year.

Revenues of the railroad were not off as sharply as traffic. For the first two months gross rail revenues were 18.8% from a year ago. In addition, bad weather conditions during the period prevented the road from cutting operating expenses. Despite lower Federal Income Taxes, rail net for the period registered a drop of 55.9%.

The coal subsidiary also suffered, with sales off 28.1% from the like 1957 period and consequently, a loss of $132,000 was sustained for the period as compared with a net income of $295,000 in the year ago period. Consolidated earnings of the holding company amounted to only 27 cents a share as compared with 96 cents a share in the like period last year.

Expenses in coming months should be under better control than in the early months of the year since the latter entailed outlays estimated at around $350,000 due to weather conditions. In addition, maintenance expenses and other operating costs probably will be sharply curtailed in coming months.

D. & H. has not sharply curtailed its capital improvement program, despite the drop in general business, not only in its territory, but also throughout the country. The road has set expenditures this year for improvements at about $5,500,000 as compared with some $6,400,000 in 1957 and something more than $8 million in 1956. The bulk of the outlays this year will be for new equipment. Most of this new equipment has been purchased for cash, giving an indication of the road's strong financial position. It is expected the carrier will continue the installation of centralized-traffic-control, although not at as rapid pace as formerly.

As previously stated, finances are strong. As of Dec. 31, 1957, consolidated cash items aggregated $22,600,000 as compared with around $28 million at the end of 1956. The consolidated net working capital was $23,700,000 against $22,648,000 at the end of the previous year. Annual depreciation charges of the railroad alone aggregated $2,800,000 which alone should be about enough to meet 1958 equipment maturities and sinking fund charges.

It is expected that shortly some announcement will be made concerning the possibilities of a consolidation or integration of the facilities of the D. & H. Railroad, Erie Railroad and the Delaware, Lackawanna & Western Railroad. These studies have been underway for some time, with top executives working on the project. It is anticipated that considerable savings should be accomplished through the elimination of the duplication of facilities and the elimination of paralleling mileage. An actual physical and financial merger of these properties probably is in the future. However, even the elimination of some of the duplication of facilities would help all three roads.

In view of the strong financial position of the D. & H., the current 50 cents quarterly dividend rate seems secure and the yield at current levels is approximately 9.8%.

J. W. Redmond Mgr. of New de Vegh Office

WASHINGTON, D. C.—De Vegh & Company, investment counsellors, have opened a branch office at 734 15th Street, Northwest, under the management of J. Woodward Redmond. Mr. Redmond was formerly in the syndicate department of Goodwyn & Olds.

Now With York & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Daniel A. Haugh is now connected with York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. He was formerly with Hill Richards & Co.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

WALNUT CREEK, Calif.—Mrs. Ruth M. Cornell has joined the staff of Hooker & Fay, 1321 Main Street.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Russell R. Winters has been added to the staff of White, Weld & Co., 111 Sutter Street.

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Utility Common Stocks as An Aggressive Investment

inflation is to buy stocks that will appreciate in value. The policy is to buy good stocks and hold them indefinitely. It is reasoned that although there will be ups and downs, in the long run there will be appreciation and it is foolish to try to take advantage of the ups and downs by trading in the market. How many times have you heard the remark, "The time to buy stocks is when you have the money."

This philosophy which emphasizes appreciation so heavily is not likely to change quickly. Whenever the investing public becomes sold on an idea, it is very slow about changing its mind. But more importantly, I believe this philosophy is right. I don't believe our economy has matured. Once the current business adjustment has run its course, I believe that our economy, spurred on by technological progress and a surge in family formations, will go on to new heights. Through correctly selected common stocks an individual will be able to obtain capital appreciation over the long run. With high tax rates and inflation in prospect for many years, common stocks with an appreciation potential will have the greatest appeal of investors.

Consequently, to attract capital in large amounts over a long period of time you must offer the investor maximum opportunities for capital appreciation. It is no longer sufficient merely to offer him safety and yield. He can better satisfy these requirements through the purchase of tax-exempt municipal bonds. If stocks are limited to this appeal, their main attraction to investors will come only during recessionary periods in our economy and it is during booms that you will have your largest capital requirements. Stocks should be tailored to be aggressive investments and not just defensive in character. It has been my observation that electric people can be quite aggressive when it comes to competing with other segments of the utility industry or when public vs. private power is concerned. Why should it be defensive where common stock is concerned?

As shown earlier, it is possible for a utility stock to be just as aggressive a holding as most better grade industrials. Unfortunately there are to many utility managements who do not seem to believe this, and their main effort is apparently directed toward making their common stocks the safest securities available. Where safety is emphasized, appreciation potential is reduced. Not only does the stock become relatively unattractive under present and prospective market conditions, but the consumer is generally hurt over the long run because this safety usually means higher cost financing and the cost of financing is an important element in the total cost of service.

Making Your Stocks Aggressive Investments

What can be done to make stock relatively appealing in a market that emphasizes appreciation? First, combat the prevalent feeling in investment circles that are sluggish and basically defensive in character. As I said earlier, this is a general belief that is not based on fact. Therefore, educate the investing public as to the facts. This cannot be done over night, and will require educating year after year.

It was not too many years ago that investors thought that the southeastern states, and particularly Florida, were poor places to invest money. Events have been very successful in proving that this concept was wrong, and I am sure that by making the effort the utilities can prove this broader concept wrong.

But first make sure that stocks are not sluggish. When the investor thinks of them as being sluggish his thinking is in terms of per share earnings. He knows about the tremendous growth in kilowatt hour sales and in plant investment, but he does not have faith in ability to translate this growth into earnings on a per share basis. He actually believes that this cannot be done.

Recently I made a per share earnings comparison of two companies to establish their growth pattern. I put their earnings on an index basis and did not indicate the name of the companies. One of them had the following record of per share earnings on an index basis:

1949	100
1950	106
1951	107
1952	117
1953	133
1954	143
1955	157
1956	168
1957	183

One of my associates saw these figures and said, "What a wonderful company! Why don't we have huge holdings of its stock?" The answer was that we did and, in fact, we were the company's largest stockholder. He was amazed to find out it was a utility, the Atlantic City Electric Company. Here was a stock in which we had a particular interest, and he had no conception of what a strong growth it had in per share earnings. While he was more informed about utilities than the average investor, he still retained in his mind the public misconception that utility earnings cannot have a strong upward trend in any area other than Florida and Texas. I myself am somewhat pleasantly surprised to find out how strong a long term growth record most of our portfolio utilities have. Therefore, I would suggest that you emphasize in your annual reports and your financial meetings your long term record of per share earnings. The real story you should try to tell is that your stock has investor appeal relative to other industries.

The foregoing presupposes that you have growth in per share earnings. While many prominent utilities do not have a growth rate that is particularly impressive, and while theory reasons that it cannot be substantial, I believe that a very satisfactory rate can be obtained. This together with an improved investor appraisal of your earnings leading to higher price-earnings ratios can result in appreciation potentials for your stocks that will match that of industrial stocks.

While various factors such as book value, yield, etc. enter into the market value of a stock, the basic factors are per share earnings and the appraisal of those earnings, i.e. the price-earnings ratio. Therefore, I would like to comment on these two factors.

Per Share Earnings

Earnings per share is the basic starting point in the market value of stock. The common stock investor does not care much about asset position if you cannot earn on those assets. It is earnings per share that control dividend and, therefore, the return on stock. Consequently the stock buyer is mainly interested in earnings, and because he is primarily seeking appreciation he is particularly looking for a strong upward trend in future earnings.

A regulated industry, is more limited in the action that can be taken to increase per share earnings. There are only five things that can have a significant effect on per share earnings—the rate of return, the capital structure, the cost of prior capital, the sale of additional common stock relative to book value, and the reinvestment of earnings.

The rate of return is an above-the-line item, so I am not going to comment at any length on that. As long term substantial stockholders we have always recognized that it is to our interest for a utility to charge the lowest possible rates consistent with an adequate rate of return. Low rates encourage increased consumption and discourage competition. By the same token we believe that it is to the consumers' interest to see that stockholders receive returns that will attract capital in a competitive market. This means that the rate of return should not be allowed to dip significantly below the allowable and if it does there should be prompt relief without time-consuming lags.

Very few investors fully realize how important below-the-line factors can be in their effect on per share earnings. Next to rate of return, the capital structure probably has the most important bearing on per share earnings. If a company chooses to build up its equity position, it is going to dilute its per share earnings and the resulting growth trend will have that sluggish characteristic that the investing public associates with utilities generally. Conversely, if the common equity ratio declines, per share earnings will be increased, everything else being equal.

Fetish for High Equity Ratios

Because of the importance of the capital structure on the earnings trend I have often been puzzled by regulatory orders which, in effect, forced the sale of additional shares of common which otherwise would not have been necessary. First, there was the SEC decree in the El Paso Electric case which started the fad toward higher and higher equity ratios with their built-in security. It seems to me this fetish for high equity ratios is 1930 thinking encompassing a matured economy and does not meet the demands of the current investment thinking which is based on a long term growing economy. Another trend in regulation which has had the same effect is the writing down of balance sheet items by charges against surplus. With surplus thus reduced, additional amounts of common stock have been required to rebuild the equity. Not only is this the most expensive capital, but the mere issuance of additional shares dilutes earnings and lowers the price utilities will receive when new common capital is required. This catches them in a vicious circle and the result is a higher overall cost of capital. With the cost of capital an important element in the cost of service, it would seem that regulatory commissions would be searching for ways to build up surplus instead of going out of their way to find writeoffs.

To try to specify a capital structure that will fit all companies throughout the industry is a theoretical approach to the problem and has no place in our economy. Capital structures should be tailored to fit the risks involved in a particular company. A company with a large volatile load should have a stronger capital structure than a company that serves a very stable market. But generally speaking, I believe that current capital structures are unnecessarily and, therefore, extravagantly strong. Utilities have an opportunity of increasing per share earnings by letting equity ratios decline somewhat.

Lower equity ratios would not result in undue financial risks in my opinion. On today's standards of accounting very few electric companies had 30% equity ratios in 1932, and many had deficits with plant valued at original cost. Yet there were very few bankruptcies of operating electric companies in 1932, and it is extremely doubtful that there will ever again be conditions as bad as those that existed at that time. When we consider an investment in a utility common stock, we are not so much interested in its current equity ratio as we are in what is going to happen to the ratio. If it is to be increased, we lose interest. If the ratio is to be allowed to decline, we are very much interested in the stock.

Selling Stock at Higher Premium

Another factor having a strong but unappreciated bearing on per share earnings is the price received for new offerings of common relative to the book value of the outstanding stock. If utilities can obtain a substantial premium on this stock, per share earnings will benefit in line with the premium, everything else being equal. Therefore, it is to their interest to have stock sell at as high a premium as possible. The most effective way to accomplish this is to expand the price-earnings ratio at which the stock sells. I will go into this a little more fully shortly. The beneficial effects of a premium also make it advisable to sell your stock at the highest price possible, and because of the importance of this premium I strongly recommend against offering stock through rights.

Questions Use of Rights

When utilities issue stock through rights, not only do they fail to obtain the maximum potential premium but the issuance causes an unnecessary dilution of per share earnings in that they have to issue more shares to get in the same number of dollars than if they priced stock at the market. Some stockholders are in favor of rights under the false impression that it gives them a good investment opportunity or that it is a form of an extra dividend. From the long term point of view, they are better off if the offering is not made through rights. Those who subscribe may be better off than those who do not or cannot subscribe, but actually it is the transfer agent, the printer, the underwriter, and the brokers who get the most benefit from a rights offering. It is an expensive form of financing for the utility. Over the long run the higher per share earnings and dividends obtained by eliminating this unnecessary dilution will do more for the bulk of your stockholders than is done by giving them occasional rights. Under a rights offering most stockholders sell their rights just at the time that the market is depressed by the offering. Thus the stockholder is either diluted or forced to increase his investment in the company. He may not be financially able to increase his investment, or he may already have all he wants invested in the company. If not, he can always add to his investment through purchases in the open market or from the underwriters.

Cost of Prior Capital

The cost of prior capital has a bearing on per share earnings, but this effect is not as great as is generally supposed in financial circles. However, since utilities have limited means of increasing per share earnings, it is worth while to concentrate on each contributing factor. While they have no control over the general level of interest rates, there are things which can be done to improve the cost of prior capital. Keep security analysts constantly well informed. A well informed buyer is a confident buyer. Try to have personal conversations with analysts thus giving them a chance to ask questions that they would hesitate to ask in public. Keep flexible in financing. All security markets are continuously changing and changes can be abrupt. Try to time offerings to optimum market conditions. This may involve anticipating requirements at times or delaying offerings at other times. They will not always be right, but with a little thought and advice from financial people utilities should be able to bat better than 500. Do not adopt rigid financing patterns such as first issuing common, then preferred, and then bonds in repetitious order. If there is a specific capital structure as a goal, don't be afraid to deviate from it at least temporarily, in order to avoid a market that is poor for that particular security. I have often heard financial people remark that a small variation in the cost of bond money is unimportant and should be shrugged off. This is probably true for an industrial company which may be earning 20% on its invested capital and paying 4% for its prior capital. However, for a utility which is earning 6% on invested capital and paying 4½% on prior securities, the difference of 1½% that works for the benefit of the common stockholder is quite narrow so that variations in the cost of prior capital can be more important.

The final below-the-line factor influencing per share earnings is the reinvestment of a portion of these earnings. There have been many discussions of dividend payout. In my opinion there is no specific percentage that fits all market conditions or all companies. What the payout for any company should be depends on what the company can do with the retained earnings. If a company will issue a proportionate amount of prior securities and can earn a full return on the total investment, the return on the reinvested earnings can be quite large. Under these conditions the company is justified in having a low payout and the proportionately heavy reinvestment of earnings can contribute importantly to an upward trend in earnings per share. On the other hand, if a company uses the reinvestment of earnings as a means of building up its equity ratio and so does not issue a proportionate amount of prior securities, or if it is unable to earn a satisfactory return, it is not justified in retaining a large por-

TABLE I

Comparative Market Performance of Tri-Continental's Utility Portfolio and the Dow-Jones Industrial Average

	Annual % Change		Index 1947=100	
	D-J Industrial	Portfolio	D-J Industrial	Portfolio
1947			100.0	100.0
1948	— 2.1	+ 4.2	97.9	104.2
1949	+12.9	+40.4	110.5	146.2
1950	+17.6	+ 1.0	129.9	148.8
1951	+14.4	+24.6	148.6	185.4
1952	+ 8.4	+16.0	161.1	215.1
1953	— 3.8	+ 6.7	155.0	229.4
1954	+43.8	+26.2	222.9	289.5
1955	+20.8	+13.0	269.3	327.1
1956	+ 2.3	+ 6.5	275.5	348.4
1957	—12.8	+ 8.3	240.2	377.3

tion of its earnings. For such a company, the reinvestment can have only a minor effect on the trend of earnings.

Some increase in dividend rate each year is highly desirable and is impressive when the long term record is examined. However, in employing retained earnings to good advantage from the stockholders' point of view, I would recommend keeping payout as low as possible consistent with a small annual increment in dividend rate.

Price-Earnings Ratio

Price-earnings ratios are as important and possibly more important than earnings in determining the market value of a stock. Certainly they are subject to greater change and variation. Many factors affect price-earnings ratios, but basically they represent investors' confidence in future earning power. This is why cyclical stocks will sell at relatively low price-earnings ratios, whereas growth stocks enjoy high ratios. Investors have confidence that the growth companies will report higher and higher earnings in the future. If a stock with absolutely stable earning power is selling at 10 times earnings, it will take 10 years for earnings to equal the market price. On the other hand, a stock selling at 10 times earnings and showing a long term growth trend of 10% a year will have earnings equal to its market value in something less than six and a half years. Thus, it is obvious that the investor should be willing to pay a higher price for the latter stock relative to its existing earnings.

It is for this reason that I have emphasized growth in per share earnings so strongly. This is essential to a high degree of investor confidence that will give you improved price-earnings ratios.

But there are other factors which affect investor confidence. One is comparative lack of vulnerability to either a sharp drop in earning power or the development of some unexpected outside adverse factor. By and large your industry does not have the earnings vulnerability except when fuel clauses are lacking. This is one reason why adequate fuel clauses are important to you. You are vulnerable to outside adverse developments especially in the form of political attack including subsidized government competition.

Perhaps the two most important factors bearing on investors' confidence other than the trend of per share earnings are management and regulatory climate. Since there is not much that you can do about regulation other than through educaton, I will comment on this very briefly.

We will not invest in utilities operating in certain states where we consider regulation to be adverse to the common stockholder.

Unrealistic Original Cost

Regulatory action which we consider adverse includes strict adherence to original costs for rate base purposes which is unrealistic in an inflationary economy, continuous erosion of the rate base resulting from new concepts of rate making policy, unnecessarily strict accounting procedures which result in charges to surplus thus necessitating the issuance of additional common stock, long lags between the necessity for and the granting of rate relief, and finally and most importantly, strict adherence to the cost of capital theory in establishing the allowable rate of return. This latter, which sounds reasonable in theory, is costly in practice. First, it destroys the incentive to finance as cheaply as possible. Secondly, it encourages management to build up equity ratios to extravagant levels thus diluting the stockholder. Thirdly, because it is constantly changing, it creates uncertainty which weakens the confidence of the stockholder who likes to know the rules of the game under which he is investing his savings. Finally, it results in a self-defeating vicious circle that limits the possibility of expanded price-earnings ratios and makes your stock an uninteresting defensive security.

As price-earnings ratio rises, cost of capital goes down, resulting in a lower allowable return which, in turn, limits the growth in per share earnings with an eventual loss in price-earnings ratio. It is truly a theory that ignores the necessity of offering potential appreciation in attracting capital.

As to management, there is much that it can do to gain investor confidence. First of all, give the impression that it is the common stockholder and not the management that owns the company. Under our free enterprise system, management is supposed to operate the company for the benefit of the common stockholder. That is the only reason for private ownership—the profit incentive. If it were not for this, utilities might just as well be publicly owned. Yet there are managements that treat the stockholders as necessary evils and it is obvious that the stockholders rate way down the line as a group to be benefited in the operations. I would like to cite a couple of examples of what I have in mind.

Cites Examples

Some years ago when we were in a 3% bond market and a 4% preferred stock market, I was talking to an officer of a company that was capitalized with 58% debt and 42% common stock. Feeling that the debt ratio was probably as high as it should be, I suggested the use of some preferred stock. The suggestion was immediately vetoed on the basis that under modern preferred stock indentures the omission of four quarterly dividends could result in a change of management and control. Here was a management more interested in maintaining itself in office than in reducing the cost of its capital for the benefit of the common stockholder. It would have taken only a 2% return on invested capital to cover fixed charges and preferred dividends. If the management could not earn this, it did not deserve to remain in office.

At another time I was talking to the president of a utility that had reported absolutely flat earnings for five years. This company had a very strong equity position and it still had a small amount of Account 100.5 which it was amortizing against earnings at the rate of 12 cents a share by charges below the line. I suggested that the unamortized balance of Account 100.5 be charged against surplus. This would not have lowered the equity ratio by any more than a faction of 1%, and it would have increased earnings by 12 cents a share, thereby getting earnings out of their rut on the upside. My suggestion was haughtily turned down without any satisfactory explanation, and I was given the definite impression that the management had very little interest in obtaining a higher market price for the stock.

Put yourself in the position of the common stockholder and see if the management attitude in the two cases cited would make you happy and confident in your investment. We no longer own stock in either of these two companies.

Just recently three utility annual reports came to my desk. In glancing through them I noticed that one of them had no reference to earnings per share except for an inconspicuous figure in a statistical table at the back of the report. Here was a management that either did not know or did not care what the stockholders' primary interest was. The second report, while mentioning the year's per share earnings results in the opening paragraph then went on to present charts showing growth in KWHs, revenues, and plant investment, and a declining trend in rates, but there was no chart showing the stockholders' return over a period of years. Here was a management, although conscious of the stockholders' primary interest, more concerned with its own accomplishments in building a bigger operation and serving the consumer well. The first thing that I saw on page one of the third report was a chart showing the ten-year record of per share earnings and dividends. Not only did it make a picture that was very pleasing to the stockholder, but it conveyed the impression that here was a management that knew what the stockholder wanted and was doing its best to give it to him. This type of thing increases confidence which leads to higher price-earnings ratios.

For similar reasons keep stockholders and the financial community fully informed on all important developments. Make periodic visits to security analysts and large investors, and be sure to give honest answers to honest questions.

Summary

To summarize, the general investing public regards utility stocks as purely defensive securities. Since defensive securities acquire popularity only during periods of recessions and uncertainty when capital requirements are the lightest, it is against utility interest to have its stocks sell on this basis. Although many prominent utilities have a market history that lends credence to this theory, it need not be true, and it is not true for a large segment of the industry. They should make stocks just as aggressive a holding for the investor as industrial stocks. This can be done by obtaining a strong growth trend in per share earnings combined with improved price-earnings ratios. While price-earnings ratios in some instances may seem high relative to past periods, they are not as inflated as many industrials having similar earnings trends. By making stocks aggressive investments, I have no doubt as to utilities' ability to attract capital at reasonable costs over the long run.

Walter E. Heller & Co. Common Stock Offered

A public offering of 125,000 shares of common stock of Walter E. Heller & Company was made yesterday (April 9) by an underwriting group headed by F. Eberstadt & Co. and Dean Witter & Co. The stock was offered at $20.50 per share.

The proceeds will be added to the general funds of the company and will permit an increase of the company's volume of business.

Walter E. Heller & Co. provides working funds for industry by financing the sales and other operations of manufacturers and distributors of various products. Its customers include mills and wholesale and retail merchants in various lines, other finance companies and small loan companies, concerns performing services and distributors and independent producers of motion pictures and television films.

During 1957 the company's volume of receivables was in excess of $780,000,000 and its net income amounted to $3,192,000.

A regular quarterly dividend of 30 cents per share has been declared, payable to stockholders of record March 20. The company, organized in 1919, has paid 148 consecutive quarterly dividends on its common stock since March, 1921.

Frank B. Cahn

Frank B. Cahn passed away on April 3 at the age of 83. Mr. Cahn was a limited partner in Merrill Lynch, Pierce, Fenner & Smith.

Public Utility Securities

By OWEN ELY

Niagara Mohawk Power Corp.

Niagara Mohawk Power is among the largest utility companies; last year revenues amounted to $255 million, about 80% electric and 20% gas. The company serves a large part of upper New York State, including the important cities of Albany, Schenectady, Utica, Syracuse, Buffalo, etc. (Rochester is served by Rochester G. & E.). The territory includes 22,000 square miles, a population of 3,300,000, 648 municipalities, 58,000 farms and a number of important industries. The greatest customer concentrations are around the three division headquarters of Buffalo, Syracuse and Albany. Electricity is available to practically all farms in the area at residential rates.

1957 electric output was 24% hydro-generated, 54% steam and 22% purchased power. Electric capability is 3,061,000 kw including a small amount of firm purchased power, and peak load last year was 2,987,000 kw, so that indicated reserve of capacity is only about 2%. However, when needed, additional power can usually be obtained from large neighboring interconnected systems in the New York-New England power pool.

The company has a $300 million expansion program under way which by the end of 1960 will increase capacity by some 600,000 kw; and later it will receive substantial amounts of low-cost power from the New York State Power Authority's big hydro developments at Ontario and Niagara Falls. New area developments directly favoring the company's long-term growth potential are the New York State Thruway, the new north-south Super-highway, and the St. Lawrence Seaway. Over $400 million worth of new industrial plants and business facilities have already been built along the Thruway.

Industrial sales contribute about 36% of electric revenues. Leading industries served include chemicals, alloys and non-ferrous metals, paper and printing, fabricated metal products, electrical equipment, auto and transportation equipment, and many others.

The company supplies gas service to 344,000 customers in 261 communities. Natural gas is obtained from the New York State Natural Gas Corp. (which in turn receives part of its supply from Tennessee Gas Transmission) and the company maintains standby manufacturing plants. Gas sales are mainly to residential and commercial customers, with industrial companies contributing less than 8% of gas revenues.

Niagara Mohawk's earning power was temporarily affected by loss of the huge Schoellkopf hydro plant in June, 1956. This has been only partially rebuilt, since the big plant being constructed by the New York State Power Authority will use the water at the Falls formerly assigned to Niagara Mohawk. The major difficulty was not so much the loss of the generating capacity, but the fact that this was extremely cheap power and that it was largely in the form of 25-cycle electricity, sold to industrial companies around Buffalo. These companies need large amounts of cheap power for the reduction of metals, production of chemicals, etc. 25-cycle power is somewhat obsolete, and the industrial companies are gradually converting to 60-cycle, but there has been no special inducement to hurry this program so long as Schoellkopf was operating. Now they are on notice that they must convert by 1960.

Meanwhile, however, the company has had to buy a considerable amount of the 25-cycle power, including some expensive steam power, from the Ontario Hydro-Electric Commission. Figures for the two kinds of power are not separated, but in 1957 the company spent $18.3 million for purchased power as compared with $12.7 million in 1956 and $6.9 million in 1955. The kwh cost of this purchased power increased from 3 mills in 1955 to 4.5 mills in 1957. Another adverse factor in 1957 was the loss of important aluminum business due to an end of Government stock-piling. There may also have been some "recession" effects on factory operations. Industrial kwh sales declined nearly 13% and industrial revenues 7%.

Soon after the loss of the Schoellkopf Plant the company realized that it would need higher rates to offset the higher costs, and the Public Service Commission granted a rate increase of about $8.2 million per annum effective about the end of August. Unfortunately, bi-monthly billing and other factors delayed operation of the new rates so that full benefits were obtainable in only about the last two months of the year.

The company reported share earnings for 1957 of $1.91 compared with $2.13 in 1956 and $2.22 in 1955. On a pro forma basis, with the rate increase applicable to the entire year, earnings would have approximated 29¢ more or about $2.20, it is estimated. Early this year the company estimated that it might earn about $2.30 a share in 1958. Any improvement in Canadian hydro conditions might be a factor in lowering the cost of purchased power. Niagara's earnings include deferred tax savings which were equivalent to about 17¢ a share last year and will probably be larger in 1958.

The stock has been selling recently around 33½, and pays $1.80 to yield 5.4%.

NYSE Members Approve Increased Commissions

Members of the New York Stock Exchange have approved a new schedule of higher commission rates, effective May 1, by a vote of 646 to 593, Keith Funston, President, announced April 3.

The new schedule—first revision since 1953 and second since 1947—is expected to result in an increase of about 13% in gross commissions. The new schedule, Mr. Funston said, was designed to offset, in part, a significant rise in recent years in the over-all cost of conducting a securities commission business.

The change in rates was approved by the Board on March 20. A constitutional amendment was immediately submitted to the membership for a vote. Balloting ended at the close of the market April 3. Out of the total Exchange membership of 1,366, votes were cast by 1,240. One ballot was defective.

Manley, Bennett Adds

DETROIT, Mich. — Manley, Bennett & Company, Buhl Building, members of the New York Stock Exchange, announce the addition of Walter M. Novikoff to their staff of registered representatives as of April 1, 1958. He was formerly with Strauss, Blosser & McDowell.

Continued from page 5

State of California and Its Finances

1850 and 1857, $3,100,000 par value in bonds were issued.

California was in default in interest in January, 1854. In 1856 the supreme court of the state declared all debt in excess of the $300,000 constitutional limitation null and void. In 1857 the legislature passed an act calling in the various illegal issues and authorized $3,900,000 new bonds to be exchanged for the old. In 1860 an additional $200,000 bonds was authorized to correct an error in the original refunding. Since then there has been prompt payment of principal and interest when due.

With this brief background detailing how general obligation debt of the state is authorized, its measure of tax support, its priority of line and its default record, let us look at the current debt picture.

Current Debt Picture

In recent years the principal purposes for which state debt has been authorized are veterans aid and school aid. Exclusive of $16,437,000 San Francisco harbor improvement bonds, outstanding debt as of the last bond sale (Jan. 22, 1958) included $11,475,000 highway bonds and $5,515,000 various purpose bonds issued for state building and university building and 10th Olympiad bonds.

The veterans assistance program, conceived as a means of providing lasting benefits to veterans of World War I instead of "bonus" payments," was approved by the legislature in 1921, and the first state veterans bond issue, in the amount of $10,000,000, was passed at the 1922 general election.

The assistance program is essentially a plan to provide California veterans of World War I and World War II and those who served during the Korean crises from June 27, 1950 to Jan. 31, 1955, with an opportunity to buy modest permanent homes and farms on an installment plan, at relatively low rates of interest. Careful appraisals are made of property to be purchased and sound mortgage practices are followed. While changes have been made in the plan to permit adjustments to changing market values and interest rates, the plan has been conservatively administered and completely self-supporting since inception. The current maximum purchase price the state will pay is $15,000 for a home and $40,000 for a farm. Any additional cost must be paid by the veteran. Currently the interest rate is 3½% and no secondary financing is permitted. There is also a moratorium on refinancing of other mortgages into Cal Vet loans. The benefits are limited to natives of California and those who resided in the state at the time of entering service.

Since the approval of the first veterans bond issue in 1922, a total of $1,135,000,000 bonds have been authorized for veterans' purposes. Of this amount $757,120,000 were outstanding and $200,000,000 remain unsold as of the date of the last bond sale, Jan. 22, 1958.

At the present special session of the California legislature a bill has been introduced to submit to the electorate in the November general election an additional issue of $200,000,000 for veterans aid. It is also apparent that the Department of Veteran Affairs and the Legislature are aware that either some means of financing the assistance program other than the continued authorization of general obligation bonds must be provided or it will be necessary to revise the program on a more restricted basis.

In my opinion the latter course will be the ultimate procedure. The Assistance Program cannot afford to have a turndown of a bond issue by the Electorate, nor to become involved in a form of financing which will raise interest costs to veterans.

The next sizable item in California's debt picture is the state's aid to needy school districts.

Prior to 1947 local school districts provided their own funds for school building construction through the issuance of district bonds and/or by special taxes. Of course, state subventions to local school districts in order to provide equal educational opportunity throughout all areas has been a constitutional requirement (Article IX, Sec. 6 and Article XIII, Sec. 15). It sets the minimum amount to be placed in a state school fund at $180 (now $193.37) per unit of average daily attendance in the public schools during the preceding fiscal year. It requires that the entire amount of the fund for each fiscal year be apportioned during the fiscal year for the support of the public school system. Such amounts at present represent approximately 46.6% of the total income of the general funds of school districts. Local district taxation of real and personal property for school purposes accounts for slightly more than 48.1 percent of the total.

State aid for school building construction purposes involved an initial appropriation of $55,000,000 from current income in 1947. In 1949 the first of several state school building bond issues was approved, in the amount of $250,000,000. Since then, a total of $635,000,000 have been authorized. $466,200,000 are outstanding and $100,000,000 remain unsold as of the date of the last bond sale, Jan. 22, 1958.

As in the case of Veterans Aid Bonds, a bill has been introduced to submit to the electorate in the November general election an additional issue of $250,000,000.

The salient features of the State School Building Aid Program are:

(1) Districts must have a demonstrated need and have bonded themselves to 95% of their statutory limit (5% of the assessed value of the district).

(2) Districts must approve such state loans in the same manner as bond issues (two-thirds approving vote) and must pay a rate of interest somewhat above the cost of the state's borrowing costs.

(3) Districts' obligation to repay is for a period of 30 years. If not paid by then, the debt is cancelled.

(4) The requirement to repay loans varies according to ability. Full repayment is not anticipated. However, some districts will pay in full. Aided districts must levy a 40-cents tax rate per $100 assessed valuation for debt service on their own bonds and repayment to the state.

(5) The state agencies administer the program effectively to provide uniformity in costs and to insure buildings are for classrooms and not for special purposes such as cafeterias, gymnasiums and auditoriums.

The people of the State of California take the education of their children very seriously. The existing aid program has been constructive and of permanent value. Still, there will always be areas of inadequacy and emergency. To this end the Governor, the Legislature, local district officials and Boards and parents are giving their continuing attention to ways and means to meet the problem.

While there has been some decline in requests for state school aid, the pressure of growing school population expected in the next five years will exert itself.

I would expect a continuing State Aid Program using the credit of the state. However, much is to be done at the local level, through consolidation and unification of school districts, simplicity in design of buildings, lower costs of construction, better long-range planning of needs, and use of the school plant for 12 months of the year. I do not believe that there will be much enthusiasm for lease-purchase methods of acquiring school buildings or rental of buildings from authorities, which inevitably would increase borrowing costs to local districts.

San Francisco Harbor Bonds

The third largest item of state debt is San Francisco harbor improvement bonds outstanding in the amount of $16,437,000, and $697,000 authorized but unissued as of Jan. 22, 1958. An additional issue of $50,000,000 will be submitted to the electorate at the general election in November this year. An additional $10,000,000 is being considered by the Legislature.

The governing Board, now known as the San Francisco Port Authority, administers the wharves, piers, sea walls and state belt railroad of the San Francisco harbor. Its operations have been fully self-supporting. Three old 4% Term Bond Issues—one due 1985 and two in 1989—are gradually being retired from sinking funds. The operating revenues accruing to the San Francisco harbor improvement fund are the source of debt service with access to general fund revenues, if needed.

Like all port facilities, a constant program of maintenance and modernization is required to meet competitive conditions of trade. The Port of San Francisco is not the sole port facility on San Francisco Bay and its tributaries. Oakland, Richmond, Stockton, Sacramento and Redwood City actively compete for business for their municipally owned terminals.

Preliminary steps are being taken to survey the advantages of an over-all port administration and the legal and financial problems that may be encountered. As gateway to the Pacific and the Orient I cannot conceive the San Francisco port losing its important maritime position in domestic and world trade.

Highway Bonds

California still has $11,475,000 highway bonds outstanding, due serially to 1965, payable from the general fund, though in effect debt service is provided from the proceeds of the motor vehicle license fees. Highway bonds were issued many years ago under several acts, to provide funds for a state highway system.

The principal source of funds for the state's highway system, local streets and motor vehicle regulation is from the state gasoline tax of 6¢ per gallon, motor vehicle fees and a motor vehicle transportation tax which, combined, is estimated will total $551,000,000 for the 1957-58 fiscal year. The capital outlay program of the state highway department for 1958-59 is proposed to be $226,457,000 and assistance to counties and cities, $122,346,000.

There have been many proposals over the years for the state to issue revenue bonds secured by gas tax revenues and to issue toll highway revenue bonds. In addition, efforts have been made to divert such revenues for other than highway purposes—all have been defeated.

California's highway system is excellent and sizable. Unless conditions changed appreciably, I would not predict any change in the state's present system of orthodox financing of highway improvements.

The balance of California's general obligation debt represents several old issues maturing up to 1971, offset to some extent by sinking funds totalling $3,325,000.

There is an authorized but unsold bond issue amounting to $200,000,000 for state buildings and institutions. It is expected that some bonds will be sold this year. In recent years some $600,000,000 has been spent from general revenues for improvement of the state's buildings and institutions.

At the current session of the legislature an act authorizing an additional building bond issue in the amount of $200,000,000 has been introduced. If approved, it will be on the November ballot.

That completes our look at the state of California's general obligation debt picture. There is nothing unusual or particularly startling, except possibly the growth of state debt and the size of the individual bond issues. Most of the material I have presented has been recorded in one form or another, but some repetition is essential for an understanding of the state's credit.

Confident of the Future

Looking ahead, as you can see, we can expect additional State of California general obligation bond issues. The marketing will of necessity be orderly and in keeping with the ability of the market to absorb them.

California has the wealth, diversified natural resources and productive capacity to sustain its growing population, meet its obligations and provide necessary public facilities and services. Its over-all debt burden is moderate, property values are assessed at a fraction of their market value, and several additional sources of revenue are still untapped for state purposes.

The state weathered the storms of the '30s, manifested in the "Epic" program, "Thirty every Thursday" and "Ham and Eggs," as well as budget deficits brought about by the depression and maladjustment of revenue sources resulting in the registering of warrants.

While there will always be elements of the population willing to advocate and support plans benefitting themselves at the expense of others, California has been able to dilute such groups by the stabilizing effect of its basically conservative native son and daughter population and the post-World War II influx of young veterans and others seeking to establish homes and farms and by seeking to add to the state's productive capacity.

As this is an election year, it can be expected that the budget session of the California State Legislature will have political considerations on its mind when tackling the problem of meeting the State's fiscal requirements. Apparently no new taxes are contemplated. Deficiencies are to be met by use of reserve funds. However, estimates on taxes tied to the business cycle are a bit optimistic in the light of current business trends. I would expect a more realistic appraisal of expenditures and revenues at the 1959 session of the legislature. Elections will be over and the 1957-58 and the first half of the 1958-59 fiscal years will be a matter of history. Meanwhile, the CIO-AFL is sponsoring an initiative constitutional amendment to reduce sales & use tax from 3% to 2% and revise income tax rates so as to increase the tax on the upper income tax brackets and reduce the lower brackets.

Water Problem

A final word on California's finance. Much has been said about the State's water problem. California as a state has areas which have an abundance and surplus of water lying in the northern counties. The southern part of the state is an area of deficiency. Plans to bring water from the north to the south have been stymied by failure to agree on basic principles. Simply stated, the south has been unwilling to agree to any program that will not insure delivery of water to her areas of need. The north is unwilling to permit its water to go south, unless assured of being able to withdraw water if a need arises at some future date and will have guarantee of financial support if required in developing its water resources, as needed.

I am certain that a workable plan will be evolved, based on a constitutional determination of water rights. Methods of financing the California water plan have been suggested in the form of a state general obligation bond issue, a guaranteed state water authority bond issue, pay-as-you-go, and various forms of local finance, including the creation of a metropolitan water district of northern California. In any event, no immediate financing by a bond issue is contemplated. Amounts have varied according to different estimates—the largest being around 1½ billion dollars.

Revenue Bond Financing

That covers the principal portion of my paper. I will now try and cover briefly other important areas of California finance. First, a quick look at the State's revenue bond financing.

The California Toll Bridge Authority has outstanding revenue bonds secured by tolls received on the respective bridges, as follows:

Carquinez Strait
Richmond-San Rafael
San Mateo-Alameda

The Carquinez Strait Bridge is under construction. When completed, the existing bridge—now toll free—will again be subject to tolls.

The San Mateo-Alameda bond issue covers two bridges, including the San Mateo Bridge and Dumbarton Bridge.

The old Antioch Bridge is toll free, while the San Francisco-Oakland Bay Bridge continues a 25c toll, but has no outstanding debt.

Under current consideration is whether or not the authority will proceed with the authorization of $250,000,000 for a so-called southern crossing of the bay at Army Street and the initial sale of $180,000,000 bonds.[1] This has been a very controversial matter. The principal objections are the cost, location, lack of sufficient traffic inducement or generation, 25c toll implication, and curtailment of additional bridge developments in the general area for many years. Advocates are strong in their belief that the bridge in its planned location will relieve pressure on the existing San Francisco-Oakland Bay bridge crossing and provide for future potential traffic growth in southern Alameda county and northern San Mateo county.

Studies have been made for additional Marin County-San Francisco crossings, San Diego-Coronado crossings, and San Pedro-Terminal Island crossings. While some feasibility has been indicated in certain instances, no financing plans are contemplated at this time.

A small issue of harbor revenue bonds is outstanding, as well as some dormitory revenue bonds issued by the Regents of the University of California. $170,000,000 Central Valley Project Revenue bonds have never been issued.

Counties

California's original constitution provided for 27 counties. Today there are 57 counties, plus the City & County of San Francisco. During that period, two counties changed their names: Buena Vista became Kern, and Branciforte became Santa Cruz—while Klamath was absorbed principally by Del Norte and Humboldt Counties.

1 Subsequent to Mr. Browne's address, the California Department of Public Works decided not to recommend proceeding with the project on the basis of a study which held that the financing was not feasible at this time.—Editor

The smallest County is Santa Cruz, containing 435 square miles and an estimated population of 70,700. The largest county is San Bernardino, with an area of 20,175 square miles—and incidentally, the largest county in the United States—with a population of 435,700. The most populous county is Los Angeles, with a population of 5,598,300. The least populous is Alpine County, containing 400 residents in an area of 776 square miles. The City and County of San Francisco is unique in that its population of 776,000 inhabits an area of 42 square miles. Actually, after deducting under-water property and publicly-owned property, there is but 14 square miles of tax-paying land.

County government in California is fairly uniform, with the majority of counties operating under General State Laws, with a few—because of population problems—operating under charters.

There is nothing unusual about general county debt in California, except possibly the limitations on debt incurrence and the small amounts outstanding.

As of June 30, 1957, only 17 out of 57 counties reported general obligation debt outstanding (San Francisco will be treated under our discussion of cities) totalling $66,390,000, principally issued for various county buildings and highways.

County debt is limited to 5% of the assessed valuation of the county. With very few purposes requiring county bond financing, county debt will always be of minor significance. It is for this reason that we feel our county bonds are one of the most conservative and stable forms of municipal debt in California.

While there is some record of county bond defaults prior to 1900, the only serious delays in payment occurred in Del Norte and Imperial Counties, primarily due to failure of the lumbering industry of the area in the case of Del Norte county and complication of related agricultural debt problems in Imperial County. Some temporary delays in debt service occurred during the period of the bank holiday in 1933. However, bond holders received payment in full in all instances.

County general obligation bonds require a two-thirds majority approving vote and must be sold at public sale on sealed competitive bids. They are supported by unlimited taxing power, subject to taxation by the respective counties.

Cities

There are some 350 incorporated cities in California at last count. They are much like our new branches — liable to be activated at any minute. The smallest being Amador, located in Amador County, with a population of 151 and, of course, the largest being Los Angeles, with a population of 2,243,901.

Cities operate under the general laws of the State or under charters. There are a few variations in types of charter and at one time cities were classed according to population. Hence, at one time most cities not operated under charters were known as fifth or sixth class cities. Now they are termed general law cities.

Obviously, there are multiple reasons for city debt. Consequently, there is a greater frequency of bond authorization than in the case of counties. Some 250 of the 350 incorporated cities reported outstanding general obligation debt as of June 30, 1957.

Statutory debt limitation for cities is 15% of the assessed valuation. Certain chartered cities have some variations, such as excluding certain self-supporting utility debt from their debt limit or having a somewhat lower ratio of debt. The area of weakness in establishing debt limitation is when a city does its own assessing and produces a substantially higher property base than the county valuation. This may result in a somewhat heavier debt burden. Fortunately, very few cities do this, while a great many contract with their respective counties to assess and collect their city taxes.

California contains 8 recognized metropolitan areas with a population, according to the 1950 census, of 8,353,014 of the State's total of 10,498,012. These areas are Fresno, Los Angeles, Sacramento, San Bernardino, San Diego, San Francisco-Oakland, San Jose and Stockton. Accordingly, we can expect that these metropolitan areas will account for the greatest outstanding debt and debt potential.

As in the case of county bonds, there are a few cases of city bonds defaulting prior to 1900. Defaults which took place during the 30.s were usually of a temporary nature and were usually associated with adverse agricultural conditions and the bank holiday. However, bond holders received payments in full. Some confusion exists as to certain debt adjustments during this period. In all cases such adjustments were for special assessment type debt.

City General Obligation Bonds require a two-thirds majority approving vote and must be sold at public sale on sealed competitive bids. They are supported by unlimited taxing power on property subject to taxation by the respective cities.

The list of authorized and unsold city bonds and potential bond issues is too lengthy to include here. Needless to say, the larger cities will account for the bulk of the new debt.

School Districts

Of all the types of districts in California, the most frequent borrowers are the school districts, using the term in its broadest sense.

School districts usually cover the elementary grades; high school districts, three or four years of high school; and junior college districts, the two years of post high school.

Districts may be union districts, comprising two or more districts of like instruction; they may be joint union districts, indicating the districts are included in two or more counties; or may be unified, indicating consolidation of elementary and high school districts, and also may include junior college districts.

Most districts are named for geographical areas, though some take the name of individuals—there are innumerable Washington, Lincoln and Jefferson districts. Some districts incorporate the word "City" in their title.

The entire state is divided into school districts, though some are inactive. The total of all districts is approximately 1,849.

School districts are limited to a 5% debt against their respective assessed valuations. A school district, high school district and junior college district could each indebt themselves for 5%, or a total of 15%. A unified school district, if comprising elementary school and high school functions, could bond themselves up to 10% and if a junior college function was included, 15%. Unionization and unification of school districts establishes a new basis for the debt limitation, as debt previously incurred by component districts is treated as debt of such districts and not of the new district.

School district bonds require a two-thirds majority approving vote and must be sold at public sale on sealed competitive bids. They are supported by unlimited taxing power on property subject to taxation by the respective districts.

The only record of delay on payment of school bond principal and interest was during the 30's, brought about by the same problems causing delays in County and City bonds, with one exception—the removal of property from tax rolls through acquisition by Federal and State agencies. In all instances, bondholders received full payment.

Obviously, there is not room to discuss potential school district debt in California. Let us say, schools will provide a continuing source of bond issues.

Special Districts

Some 2,780 special districts, providing a multitude of public services, are in existence in California. Such districts are organized under 173 various acts, of which 135 are still on the books. The principal services covered, in the order of the greatest number of districts, are fire protection, cemetery and highway lighting. In all, there are 65 groups of services.

Of the 2,780 special districts, 1,096 are covered by boards of supervisors of the various counties and 1,684 are governed by local boards. Not all of the special districts are authorized to incur a bonded indebtedness.

I cannot do more than touch on the principal borrowers.

Bridge and Highway Districts

Our only example is the Golden Gate Bridge & Highway District, comprising the City and County of San Francisco and Counties of Marin, Sonoma, Del Norte and parts of Napa and Mendocino. Bonds are voted bonds, with unlimited taxing power to the extent that Bridge toll revenues are inadequate. There is no financing contemplated in the near future.

Municipal Utility Districts

There are some seven such districts. I shall only comment on two:

The East Bay municipal utility district, services parts of Alameda and Contra Costa Counties. Bonds are voted bonds with unlimited taxing power to the extent that water revenues are inadequate. A $252,000,000 bond issue is being submitted to the electorate in June.

The Sacramento municipal utility district, serving Sacramento County and part of Placer County, has an authorized but unsold revenue bond issue in the amount of $85,000,000.

Metropolitan Water District

The metropolitan water district of southern California is probably the best known of our special districts. The district is located in five counties and includes many incorporated cities and special districts. Bonds are secured by sale of water, annexation charges and taxation to the extent necessary. It is contemplated that additional financing will be accomplished in the year ahead.

Transit

The San Francisco Bay Area Rapid Transit District, comprising five counties, is currently being organized and staffed. Approximately two years will be necessary before a bond issue can be presented to the electorate.

The Alameda-Contra Costa transit district, comprising the two counties, hopes to place a bond issue before their electorate this November in order to acquire certain properties of the key system operating buses and trains in the East Bay Area.

The Los Angeles Metropolitan Transit Authority has sold its $40,000,000 revenue bond issue. No new financing is anticipated for some time.

As can be expected with so many diverse districts providing a wide range of public services—including flood control and water conservation; harbor and port; hospital; park; recreation and parkway; parking; sanitary and sanitation; water and waterworks, to mention a few—details are so varied that it would be impossible to record them. I am sure that I would be imposing should I attempt to discuss them further.

Historically, district bonds secured by special assessments have created our greatest credit problems. Over the years, ill-conceived irrigation projects and local improvements have resulted in defaults and debt adjustments. With minor exceptions, all such credit problems have been adjusted. In many cases bondholders accepted reduced interest, extended maturities and in certain instances reduction in principal, accomplished in part by new bonds or cash payments.

Revenue Bonds

In passing, I should like to comment on trends in revenue bond financing in California. Outside of the California Toll Bridge Authority, Imperial Irrigation District and the Department of Water and Power of the City of Los Angeles, very few revenue bond issues were authorized in recent years. This was primarily due to legal interpretation of court decisions. With this matter cleared by additional decisions, more revenue bond issues may be expected.

Conclusion

At this point I find there is much I have skipped over; yet, I know that I have been overly long in reaching my conclusion. While I have touched at times on certain matters, I would briefly like to repeat them:

(1) Laws governing debt incurrence in California are sound and conservative.

(2) Most G.O. bond issues are voted and many require a two-thirds majority.

(3) Public sale on sealed competitive bids is standard practice.

(4) Sources of revenue are not overly taxed.

(5) Intent to pay debt is well demonstrated.

(6) General market credits enjoy a good national market and local issues are well-supported in a strong regional market.

(7) Credit ratings are increasing, with Moody's rating over 300 credits, and Standard & Poor's rating over 350.

(8) An alert dealer group policies legislation and local debt practices to insure sound municipal finance.

(9) There are no major debt problems that are not being met.

(10) Our population is a cross-section of the United States. It is strong, virile, and our greatest asset.

As for the question of floods, earthquakes and subsidence as being detrimental to California municipal finance, it is true that damage has occurred and probably will occur in the future. All that I can add is that there is constant attention to the threats of natural phenomena beyond the control of man. Careful planning, sound construction and effective steps to combat or minimize such possibilities is normal California procedure.

1958 Institute of Investment Banking Held at the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia

From left to right: Dr. W. Carlton Harris, University of Pennsylvania; Walter A. Schmidt, Schmidt, Poole, Roberts & Parke, Philadelphia; Alan K. Browne, Bank of America, San Francisco; George T. Ragsdale, Lehman Bros., New York; William M. Adams, Braun, Bosworth & Company, Detroit; Cushman McGee, R. W. Pressprich & Co., New York.

Gruenberg Joins Howard, Weil Firm

NEW ORLEANS, La.—Howard Gruenberg has joined the investment securities firm of Howard Weil, Labouisse, Friedrichs and Company, 222 Carondelet Street, members of the New Orleans Stock Exchange.

Mr. Gruenberg is a specialist in mutual investment funds and will represent the company in this capacity, according to G. Shelby Friedrichs, a partner in the firm.

Before joining the company, Mr. Gruenberg was New Orleans resident manager for B. C. Morton & Co. He entered the investment securities business in 1955.

Mr. Gruenberg is a 32nd degree Mason and a member of Jerusalem Temple, a former secretary of the Young Men's Business Club of New Orleans and a member of other civic and professional organizations.

Joins Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn. — Robert B. Calvert, Milo R. Pawelchak and Eleanor E. Ptaschuk have been added to the staff of Coburn & Middlebrook, Incorporated, 35 Leavenworth Street.

With Clifford J. Murphy

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me. — Thomas J. Callnan has joined the staff of Clifford J. Murphy Co., 443 Congress Street.

Keenan & Clarey Add

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Sylvestor F. Kehrer has been added to the staff of Keenan & Clarey, Inc., Pillsbury Building.

LETTER TO THE EDITOR:

Reader Wants to Know Why We Are Playing Russia's Game

Philadelphian correspondent looks askance at our international foreign policy and suggests calling Soviets' "bluff of bombastic threats" by providing UN with "adequate police-force teeth" and by exposing malpractices and atrocities. Mr. Sonneberg advises against hastily conceived foreign aid and would submit proposed aid to the test of whether it is "distributed by the right people, to the right people, [and] in a way calculated to achieve expected results."

Editor, Commercial and Financial Chronicle:

The Russians are probably laughing up their sleeves at how easily we fall for their war gestures while they are attempting to hamstring our economy by spurring our defense spending. Professing a preference for peace they play on our war fears by overadvertising their scientific achievements. Meanwhile, they use diplomacy and propaganda to take over new territory. While we are arguing about rules they are making home runs.

Walter Sonneberg

Take the Iceland fish issue for example. Here inflation, the standard of high living, foreign aid and the status of defense against Communism reflect a pattern of the problems we face. Russia bid an artificially high price for Iceland's fish and was almost successful in its efforts to eliminate the American garrison in Iceland.

Some Americans, who sensed the futility of encouraging further unsound competition by matching or outbidding Russia's prices and furthering an "illusory prosperity," prevailed. Differences were composed and the base took on a new lease. Military men feel that so long as an American garrison stays in Iceland a powerful deterrent to Soviet aggression exists.

Practice vs. Theory

Lines are being drawn showing more and more clearly Soviet weaknesses. In practice there never has been the type of common ownership or say in government as implied in theoretical Communism. It has been said communists are walking proof that "there is no comfort in it, no money, no sense and no future." Certainly they lack social perspective and suffer from a disregard for history. Otherwise they would concentrate on developing home premises and making a decent living environment for their people instead of dissipating their resources in futile world-conquering gestures.

A military authority familiar with conditions in Russia testified that they would need about 25 years of peace to solve their housing, transportation and other pressing problems. This would imply that war would be as unwelcome to them as to us. We can take it, therefore, that their big armament program is an expensive smokescreen behind which they are keeping us guessing. Meanwhile they are trying to move in on other countries through false promises and propaganda.

Cites Spruille Braden

These considerations should alert us to revise our foreign aid program. Spruille Braden, seasoned diplomat, advised going slow in attempting to buy the friendship of allies with military and economic aid and figuring the odds on the basis of experience. He recommends rapidly reducing foreign aid as being more consistent with a practical reading of the situation.

The U. S. and the U. S. S. R., in this matter of armament, are pretty much like two boys arguing pointlessly. Sammy says: "I got to have guns 'cause Bully has guns." Bully says: "I got to have guns 'cause Sammy has guns." The British people are surprised and amused by American furore over the supposed scientific superiority of the Soviets. One prominent columnist says: "Uncle Sam, come off it! Be your age! We don't like these doings, but we don't throw fits of terrorized pique just because Big Boy on the other side of the road has found a bigger rock to put in his catapult.

Wants Police Force

The Soviet bluff of bombastic threats and false promises can probably best be met by providing the United Nations with adequate police-force teeth, widely publicizing their malpractices, piling up protests against repeated atrocities and keeping wise to all their activities through the intelligence service. Checkmating their game calls for diplomatic firmness, less political expediency and more guts rather than more guns.

Former Secretary of Defense Wilson advised a sense of proportion in estimating war prospects. While not advising going to sleep and brushing off the danger, he saw no point in staying awake nights worrying about it.

The Djilas book "The New Class," confirms this advice. The author, who lived many years among them, declares Communism to be the most efficient method ever devised for exploiting the masses for the benefit of a small ruling class. He finds little nourishment in our present policies. Counterrevolution, unseating the malignant dictators, in his view, points the way to retrieving a situation brought about by too much complacency on one side and too little sense of history on the other. To meet this challenge a change of direction in our stop-the-Communist program is indicated. According to Djilas we should get at the source, train our publicity guns on Soviet leadership deficiencies, hammer away on their shifting policies and seldom fulfilled promises. And convincing the Russians that the game is about played out. The Soviets, having used all their trumps, are likely to find their hand called by aroused dupes.

Nixon vs. Eisenhower

While the President was making speeches demonstrating need for increased armament spending, Vice-President Nixon reportedly was assuring his audience that he was more concerned about other issues. (One day the stock market went up some billions because of announced additional armament spending of taxpayers' money at the same time the railroads reported a serious drop in freight handled! Can you beat that?)

The Peking regime recently discovered, since the Hungarian revolt, that the Eastern European satellites have become more eligible than China for promised Soviet loans and equipment. Numbers of Soviet technicians and industrial advisers are reported to have already left Communist China.

A letter I just received from a vice-President economist of one of our large banks notes that he shares my feeling regarding this "Sputnik" furor. "In spending more money and thinking that more money spells more defense we are deceiving ourselves and playing into their hands."

In view of experience we should not permit ourselves to be frightened into a hastily conceived foreign aid program, but should dispassionately value such contributions from all angles, taking into consideration three points. Is it being distributed by the right people? To the right people? In a way calculated to achieve expected results?

WALTER SONNEBERG

147 West Durham Street,
Philadelphia, Pa.

Amer. Can Co. 3¾% Debentures Offered

The first public offering of debt securities of American Can Co. since 1913 was made yesterday (April 9) by an underwriting group of 137 members headed by Morgan Stanley & Co. and Clark, Dodge & Co. The offering consists of $80,000,000 30-year 3¾% debentures due April 1, 1988, priced at 100% and accrued interest.

The debentures will have the benefit of an annual sinking fund beginning in 1962 which is designed to retire approximately 80% of the issue prior to maturity. For the sinking fund the debentures will be redeemable at 100% and accrued interest. They also are optionally redeemable at any time at prices commencing at 105% except that they may not be so redeemed prior to April 1, 1963, through funds borrowed at an interest cost of less than 3.79%.

Part of the net proceeds from the financing will be used by American Can to retire an aggregate of $40,000,000 outstanding long-term debt, and the balance of the proceeds will provide a portion of the funds required in 1958 for capital expenditures and additional working capital.

Gross property additions during the five year period 1953-1957, inclusive, amounted to $301,804,880 including approximately $19,000,000 for facilities and equipment to process tinplate and steel-plate from coils and $33,600,000 for the construction of a new pulp and paper mill in Naheola, Alabama, expected to be completed about July 1, 1958. During this period property retirements aggregated $85,379,488. Capital expenditures in 1958 are expected to include approximately $10,000,000 for coil facilities and equipment, approximately $17,000,000 for the Naheola pulp and paper mill, and substantial amounts for numerous smaller projects.

With Liberty Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wayne L. Beckman, John W. Crockett, Abraham J. Henken, Herbert A. Livingston, Frank A. McCarvery, Philip S. McCormick and John D. Watson have been added to the staff of Liberty Investment Corporation, Denham Building.

Columbine Secs. Add

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Rubin C. Cannedy, Floyd F. Christmas, Elwin E. Glass, Francis O. Goodman, Willard M. McGlohn, Clarence R. Moad and Braxton B. Smith are now with Columbine Securities Corp., 1575 Sherman.

Continued from first page

The Pace of the 1958 Business Recovery

(2) the cutback in government defense orders in the last half of 1957. Business activity in the first half of last year had been buoyed up by a continuation of the capital boom, and by a rapid increase in federal government spending. The capital boom leveled off in the third quarter, however, and purchases of machinery and other durable equipment began to decline rapidly in the fourth quarter. The federal government unfortunately chose this same period to cut back severely on defense orders, clamp ceilings on construction programs underway, and institute a system of delays in payments under government contracts. The force of reductions in these two important types of spending was sufficient to turn the economy downwards.

Although cutbacks in government spending and business equipment spending were the immediate initiating force in the current recession, they were not the basic, underlying cause. To understand the basic cause of this recession, we must go back two years to the beginning of 1956. Early in 1956, a radical shift occurred in the pattern of consumer spending, away from durable goods and toward non-durable goods and services. If this shift had been short-lived it would soon have been absorbed. But the new direction, or distribution, of consumer spending continued all during 1956 and all during 1957. In the third quarter of 1957, consumers were spending $30 billion more on non-durable goods and services than at the beginning of 1956; their expenditures on durables, however, showed no increase at all during these two years.

Now, a shift in the direction of consumer spending as pronounced as that which I have described is very difficult for the economy to absorb in stride. Our productive plant and our labor force is built up in response to the usual, or normal, pattern of consumer demand, and when consumer buying in one whole segment of the economy stops rising, we are bound to see plants operating at less than full capacity with an accompanying rise in unemployment.

The effect on manufacturers of this striking change in consumer demand was made even more severe by an exceptionally cautious inventory policy on the part of retailers. Retailers continued during 1956 and 1957 to lower the ratio of their inventories relative to sales, so that the impact of the change in consumer demand was transmitted with magnified force to the manufacturing segment of the economy. Even though manufacturers attempted to hold down production, they nevertheless found their inventories—particularly their inventories of durable goods—rising rapidly. Even as early as the beginning of 1957, manufacturers' inventories were too high relative to sales, and by the Autumn of 1957 when defense orders were cut back and spending on durable equipment began to decline, manufacturers' inventories had reached an insupportable level.

The result was that in October, 1957 manufacturers began to slash production with a vengeance, and as they did so, unemployment of course began to rise. From October, 1957 up to the present time, manufacturing output in the United States has been running well below shipments. Although the current recession was touched off by declines in government and business capital spending, it is thus basically a durable goods inventory recession stemming originally from the marked change in the pattern of consumer spending. Now that the recession is underway, further declines in capital spending are of course a contributing factor, but in order properly to understand the recession it should be recognized that the inventory adjustment is the basic cause of current very low levels of output, with declining capital expenditures being an intensifying factor, rather than the underlying explanation, of the recession.

Recession's Extent

Let's turn now to the second question — What has happened thus far in the recession? I will not burden you with a great mass of statistics but try instead to pick out the major trends as I see them. I have been impressed particularly by two characteristics: (1) The rapidity with which inventories are being worked down, and (2) the remarkable way in which final demand has been maintained in the face of growing unemployment.

Inventory reduction began in October, 1957. That is, production was cut below sales, and producers began to meet part of their shipments out of inventory. In the last quarter of 1957, inventory reduction proceeded at a $3 billion annual rate. In the first two months of this year, production was slashed still further, with inventories dropping by something like a $7 billion rate. The inventory correction in recent months has therefore been exceptionally rapid.

With production cut well below shipments, layoffs have of course multiplied. Unemployment a month ago rose to over 5 million—almost 7% of the labor force and about as high as the worst point in the 1949 recession. Yet despite the drop in production, the growth in unemployment, and the reduction in the average work week, the remarkable fact is that retail sales for the first two months of this year fell by less than 2% from the fourth quarter of 1957, and were actually ahead of the first two months of 1957. Such figures as are available for March indicate that retail sales this month are likely to exceed the same month last year by 3%, and consumer spending on services is also well ahead of last year. When the full figures for the first quarter of this year are available, it is probable that consumer spending on all goods and services will show a gain of at least 2% over the first quarter of 1957.

In addition to the events in the consumer and inventory segments of the economy, changes have of course also been occurring in other parts of the economic system. Business spending on plant and equipment has fallen sharply, there has also been a small decline in residential construction expenditures, and exports have dropped off. About half of the force of these declines has been offset, however, by a rise in both federal government and state and local government spending. The major governing factors in the economy thus far this year have therefore been the two forces which I singled out for particular attention—the very rapid liquidation of inventories, and the remarkable maintenance of consumer spending. In the months ahead, performance in these two segments of the economy will continue to be the key to the direction of business activity.

Remainder of 1958?

Now, for the third question: "What is likely to happen to business during the remainder of 1958?" It is always difficult to pick the exact time when a cyclical turning point occurs, but I be-

lieve it is fairly safe to say that we have reached the bottom of the 1958 recession. Let me list a few of the factors which lead me to that conclusion:

(1) Retail sales reached a low point in February, and have shown a reassuring pick-up in March. There are even some indications of a recovery in consumer durable goods buying.

(2) Seasonally adjusted production rates in steel, paper, paperboard, coal, and lumber, all hit bottom in February or early March and have either leveled off or shown some recovery since then. Freight carloadings also reached their low point late in February and are creeping upward in March.

(3) Many indicators, which economists watch particularly because of their lead characteristics, have recently turned very strong. Heavy construction contract awards, which started the year 35% below the comparable period in 1957, have steadily gained and are now almost equal to 1957. Orders for paperboard, which is a good general indicator because of its widespread use in packaging, are running ahead of production, and production has caught up with the 1957 figure. Applications in February for FHA mortgage commitments on new home construction were 20% ahead of January and 70% ahead of February, 1957. Machine tool orders, which hit bottom in January, turned up in February, and further improvement is indicated in March. Finally, the movement of commodity prices suggests a cessation of the downward pressure imposed by declining demand and by inventory liquidation.

Although there is good evidence that the bottom of the recession has already been reached, this does not necessarily mean that there will immediately be a brisk recovery. In order to analyze the factors which will determine the pace of the business recovery, let me discuss briefly the probable movement of each of the major spending segments of the economy during the remainder of the year.

Trend of Spending Segments

First, what about government spending? The action which the federal government takes, or does not take, within the next few weeks will set the pattern of business activity for the remainder of the year. If decisive action is deferred much beyond the middle of April, the recovery will be slow and dragged out. If appropriate action is taken immediately, then I believe we will see a good recovery with a high rate of business activity during the last half of the year.

The emphasis which I am placing on the timing of government action does not mean that the economy is on its last legs and must be rescued by government. I have pointed out that consumer demand is being maintained and that the inventory adjustment is proceeding rapidly. But an inventory adjustment is a tricky thing. It is absolutely vital that final sales remain strong throughout the adjustment. If consumer demand should begin to decline, then not even a reduction in output could reduce inventories, and we would be in danger of a cumulative drop instead of a rolling adjustment.

The role of government in this situation is clear. The government must take action to make sure that consumer demand is maintained and expanded. I have, from the beginning, been confident that both the Administration and Congress would take this action. My own evaluation is that the step-up in defense orders and spending has not been rapid enough. But in recent weeks, the action has been forthcoming. Ceilings clamped down in the economy move of last year have been removed, and orders for defense materiel and defense construction are now moving ahead rapidly. An income tax cut in the immediate future is so clearly called for that I am assuming in my forecast that it will be forthcoming.

Based on the above analysis, I estimate that federal government purchases during the remaining nine months of 1958 will rise by $3 billion. State and local government expenditures will be up by about $2 billion. During the remainder of the year, federal, state, and local government purchases will thus expand demand by about $5 billion.

The second main spending segment which will affect business over the coming months is business expenditures for plant and equipment. In the first quarter of this year, business capital expenditures fell by $3 billion, and they are likely to continue to decline, though at a slower rate, during the coming nine months. In the last quarter of 1958, business capital spending will probably be at a level $4 billion below the present rate. The fall in private capital spending will thus almost offset the rise in spending by all forms of government. This is an important point because it makes quite clear that government spending alone will not ensure a recovery in the last half of this year.

A third spending segment is expenditures on new home construction. Last Fall, I predicted that housing starts in 1958 would total 1,085,000, an increase of almost 10% above 1957 figure. The housing bill which has just cleared Congress ensures that the 1,085,000 will be achieved, and I should not be surprised to see it exceeded. Mortgage money is becoming more plentiful, and builders are making an effort to hold down home prices. Advance applications for FHA commitments jumped dramatically in February, and armed forces housing is moving ahead strongly. I am afraid that the continuation of unrealistic ceilings on VA mortgage interest rates makes it unlikely that this type of mortgage will make much of a contribution to residential construction. But there will be plenty of money available for FHA and conventional mortgages.

Spending on new home construction is likely to rise by $1 billion during the remainder of the year, not only increasing employment and incomes in the construction industry, but also raising the demand for consumer durable goods with which to equip these new homes.

The fourth, and most important, spending segment is the consumer. It is the consumer who really holds the key to the business outlook in the coming months. Thus far, consumers have refused to be panicked, and it is the steady force of their continued purchases which has confined the recession to an inventory adjustment. Unemployment compensation has prevented as sharp a drop in consumer incomes as would have occurred without this stabilizing force, and the prospect looks good for an extension in the maximum time period for such payments. But stronger action is called for to bolster consumer psychology and make possible a more rapid rise in consumer purchases. A substantial income tax cut within the next few weeks can be the spark which injects real strength to the business situation.

On the basis of this expected reduction in income taxes, I estimate that consumer spending will rise by the fourth quarter to an annual rate about $10 billion greater than at present.

This brings us finally to the last major spending segment — business purchases for inventory. I have pointed out the very rapid rate at which inventories are being reduced, and the strategic role which this reduction plays in the current recession. Manufacturers are not likely to reduce the ratio of production to sales below its present point. The course of manufacturing output in the months ahead therefore depends on what happens to sales.

If income taxes are reduced within the next few weeks and sales respond as I expect them to, the worst of the inventory adjustment will be over. Although inventories may still be reduced in some lines below present levels, the rate of inventory liquidation will slow. Instead of the approximately $5 billion rate of liquidation which has occurred in the first quarter, the second quarter liquidation may be only $2 billion. This would mean that production would begin to rise in the second quarter.

It is quite possible that inventories will be in balance by the third quarter and that a small rise of about $2 billion in inventories would be appropriate for the fourth quarter.

If the pattern follows that which I have described, production can increase, on the basis of the inventory turnabout alone, by $7 billion from the first quarter to the last quarter of this year. This would, of course, not only raise production itself but, because of the increased employment and incomes, would in turn help to bolster retail sales.

Now let me sum up these different spending segments to arrive at an estimate of the probable Gross National Product in the fourth quarter of this year. I have estimated that, from the first to the last quarter of 1958: total government (Federal, State, and local) spending will rise by $5 billion; business capital spending will fall by $4 billion; housing expenditures will rise by $1 billion; consumer purchases will be up $10 billion; and the turnabout in inventory policy will permit a net increase of $7 billion in production. The rise in total spending would therefore amount to $19 billion.

We do not yet know what national output for the first quarter of this year will be. As nearly as I can estimate it, it should amount to an annual rate of about $428 billion. Adding the $19 billion increase which I have estimated as being quite possible in the three quarters ahead, the Gross National Product in the fourth quarter of this year should be in the neighborhood of a $447 billion annual rate.

I should like to emphasize that my forecast is predicated on what I believe would constitute sound government spending and taxing policy. Although the economy has already reached the turning point, and some mild upward movement is underway, the type of brisk recovery I have pictured will not occur without positive government action to foster the upturn. I am sufficiently confident of prompt and decisive government policy within the weeks ahead to say that the figures I have given you are my best guess as to what is likely to happen to business activity during the remainder of the year.

One further point—a $447 billion rate of Gross National Product in the fourth quarter of this year, though a good increase over the present level, would still leave unemployment above normal. I therefore consider this figure a minimum goal for government policymakers.

Comparison With Previous Recessions

Now, for the fourth question: When all the figures are in for the year, how will the 1958 recession compare with the mild recessions of 1949 and 1954?

One of the important functions of an economist is to place current business developments in proper historical perspective. When a recession occurs and the gloom-peddlers start to cry that the economy is on its last legs, it is the job of the economist to get behind the emotions of the moment and report the economic facts in such a way that businessmen can relate current developments to situations which they have experienced before. Let me make such a report by briefly summarizing the similarities and the differences between the three postwar recessions. First, the similarities:

(1) In each of the three postwar recessions, consumer spending has dipped very slightly, and the dip has lasted for only a few months.

(2) In each of the three recessions, there has been a cut-back in production below the level of sales in order to liquidate inventories. In each case, production has thus fallen substantially more than final demand. The present recession is similar to the 1949 recession in that the liquidation of inventories is very large.

(3) In each of the three recessions, state and local government spending has continued to rise throughout the recession.

(4) In each of the three recessions, residential construction has dipped momentarily at the beginning of the business downturn and then risen strongly throughout the recession.

In the above ways, the recession of 1958 appears to be very similar to the two previous downturns. There are two ways, however, in which the current recession is different from its postwar predecessors:

(1) The decline in business capital spending in this recession will be somewhat greater than in 1949 or 1954. It should be noted, however, that a good portion of this decline has already occurred.

(2) Whereas Federal Government spending was declining in each of the earlier recessions, it is rising in 1958. The difference in Federal Government spending is much greater than the difference in capital spending, so that the net effect places the present economy in a stronger situation than was true in the two prior recessions.

My conclusion from this brief comparison of the three mild postwar business dips is that, because of more intelligent action by the Federal Government at present, the 1958 recession will be of even shorter duration than its two predecessors. Whereas Gross National Product showed no gain in 1949 and fell fractionally in 1954, Gross National Product for the full year 1958 is likely to be larger than for the full year 1957.

Money-Capital Market Outlook

Now let me conclude with a very brief comment on the money and capital market outlook. It seems to me logical that corporate demand for long term capital will decline somewhat over the balance of this year. Demand for state and local government financing will be very strong, however, and so will be the demand for mortgage money. The extent of the Federal Government deficit is not yet clear, but there is no question that it will be large. Total demand for long-term capital is thus likely to be maintained at its present level throughout the year.

The policy of the Federal Reserve, measured in terms of the volume of free reserves available to the member banks, may now properly be described as one of "active ease." This policy is obviously appropriate under present circumstances, and will ensure that a plentiful supply of funds is available for all sound needs. I do not believe that the Federal Reserve will go beyond this policy, as it did in 1954, and build up large surplus reserves in the banking system which will contribute nothing to business activity at present but pose an inflationary threat for the future.

My guess on interest rates is that, although there may be a fractional further decline particularly in short-term rates, long-term rates at the end of this year will not be greatly different from what they are at present. If I were a corporate treasurer or other borrowing official, I would seize on 1958 as an appropriate time to anticipate my borrowing needs, because I have a feeling that it will be a good many years in the future before funds can again be obtained on such favorable terms.

In my years as an economist, I do not remember any forecast which was as difficult to prepare as the one I have given, the situation in the economy and in Washington is changing from day to day. I have, however, tried to be as frank and as specific as is possible under the circumstances. I am in effect betting on two basic forces: (1) Decisive government action, and (2) The basic soundness and bouyancy of the economy. I think a forecast based on these two propositions is likely to turn out to be correct.

Calin-Seley Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—John H. Grobaty, Jr., is now connected with Calin-Seley & Co., 618 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with Dempsey-Tegeler & Co.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert A. Bliss, Robert R. Randell and Mrs. Violette V. O'Gara have joined the staff of Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Bliss was formerly with First California Company.

Joins Brush, Slocumb

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ronald V. Pelosi is now affiliated with Brush, Slocumb & Co., Inc., 465 California Street, members of the New York and Pacific Coast Stock Exchanges.

Continued from first page

As We See It

independence of thought, and is to be regarded as definitely in the interest of all the people.

On the day following the dispatch of this message, the President signed the housing bill S. 3418. In doing so, however, he had this to say:

"The legislation ignores the responsibility and ability of private enterprise to function without imposing a direct burden on the Federal purse. It has been the fixed policy of this Administration, and should be the consistent purpose of the Federal Government, to seek in every way to encourage private capital and private investors to finance in competitive markets the myriad activities in our economy, including housing construction. This legislation contains provisions that are wholly inconsistent with that policy and with the philosophy of the free enterprise system that has made this nation strong. By not permitting the interest rate on V. A. guaranteed home mortgages to be fully adjusted to actual market conditions, and by requiring purchases of these mortgages at par by the Federal National Mortgage Association, the legislation provides in effect for substituting $1,000,000,000 of Federal financing by private investors.

* * *

"The American people expect their government to act in every proper way to foster the resurgence of the economy. But they also expect their government to preserve the integrity of principles and programs that have served us well. In acting for today we should not forget tomorrow."

More Consistency Needed

It is deeply to be regretted that the President has not consistently followed the basic principles and fundamental philosophy he seems to have in mind in some of these well deserved rebukes to Congress. The fact is, though, that he has done nothing of the kind. Even in the housing measure in which he finds objectionable features, he finds other passages which lead him to sign the measure —and that despite the fact that they are quite definitely New Deal in nature—and in fact plainly violate the very principles which he finds essential in the passages quoted. The mere fact that these other provisions, such as extension of the World War II veterans' loan program, and the liberalization of F. H. A. insured mortgages, do not make immediate demands upon the Treasury in no way sanctifies them or renders them more in keeping with the traditional American economic and social philosophy. The truth is that these "guarantee" or "insurance" programs are the more dangerous for the simple reason that their cost does not promptly become evident. Probably, the worst offender of them all in this respect is the social security program, the cost of which to future generations will inevitably be massive but which is not now given a thought by any but a very few among the people, but these housing and other New Deal programs are bad enough—and the President appears to be not all concerned about them except at certain points.

There can be no doubt that the country will have need of all the strength that the President can exert to keep public policy within some sort of reasonable bounds during the next two or three months. It is, therefore, the more to be regretted that he is not disposed to take a more positive and consistent stand against the New Deal pump-priming politics which is so rampant in Congress. It is being said by some experienced observers on the scene in Washington that Congress is up to now dragging a reluctant President along the road to a typical Roosevelt sort of anti-recession program. We could hope that he will prove more and more reluctant as time passes. He may if business conditions begin to improve, but there is not much evidence that he is without faith in many of the New Deal nostrums as cures for depressions—which incidentally are in no small part a result of just such programs.

What Are the People Saying?

Members of Congress are now having an opportunity to get well in touch with the people back home. Before they departed Washington for their Easter recess there were many predictions in informed quarters that they —both Democratic and Republican—would come back to Washington determined to place on the statute books more than one anti-recession measure of a definitely radical sort. Members of the party of Franklin Roosevelt apparently have not forgotten the political successes he scored in the big depression and it may well be those same successes that is causing large elements in the President's own party to bring pressure upon him to play the sedulous ape. It may well be that the President will have his hands full during the remainder of this session to keep matters even within the limits that he would set upon un-American programs. At least we hope he will set himself firmly to do at least that much for us.

It is exceedingly unfortunate that so few of the rank and file seem to remember or ever consider how fruitless the upheavals of the New Deal were in curing the depression of those years. Can it be that so few recall the continuance of mass unemployment throughout the 'Thirties until World War II came along to alter the basic underlying situation? Has distance lent so much enchantment to the view that some one supposes that business was so encouraged in those years that it went rapidly ahead expanding and providing both jobs and the material things that people had come badly to need? In the light of the facts how can members of Congress or their constituents believe that they can build solidly for the future by more of the early New Deal tragedy?

We need real leadership—in the right direction—in the White House.

Continued from first page

Railroads Must Consolidate In Order to Survive

were removed by the 1940 amendments.

Had the consolidation objectives of the 1920 law been fulfilled, corporate mergers would have carried the joint use of railway property far beyond the coordinations that can now be arranged between companies that must continue their operating independence. However, the limitations of present circumstances should not cause us to neglect the opportunities that coordination offers.

A crisis frequently requires a return to fundamental thinking. The thought of a generation ago was that consolidation answered the problem of efficient operation and economical use of railroad capital and property. A return to that viewpoint may soon become essential for the survival in the United States of a privately owned and operated railway system.

Crises Met in 1920 and 1930

When the seriousness of the railway problem required Congressional attention in 1920, and again in 1933, protection and improvement of railway earning power were sought through the fundamental remedy of increased use of joint facilities and services. This objective motivated the consolidation provisions of the Transportation Act of 1920 and the coordination provisions of the Emergency Transportation Act of 1933. The latter sought to reach the objective through coordination, after Congress and the railroads had turned away from large scale consolidations.

The 1933 law established the office of Federal Coordinator of Transportation, and for three years that office worked in close cooperation with the railroads in studying possibilities for the coordinated, or joint use, of railroad facilities and services throughout the United States. The Coordinator's studies embraced all types of facilities and phases of operation, from the smallest stations at common points to the complex facilities within the largest railroad terminals. Many proposals for combining road movements of two or more railroads on the trackage of one were considered, as well as the combination of shops, auxiliary services and administrative functions.

The difficulties of balancing the traffic effects of the changes, and of establishing mutually satisfactory bases of compensation between landlord and tenant, prevented the accomplishment of specific projects. Nevertheless, the Coordinator's studies did uncover many situations where joint use of facilities might be attractive under today's conditions. The respective files should contain information that could prove helpful in making a realistic approach to present opportunities.

Changed Situation

Conditions have changed materially since the Transportation Act of 1920 and the beginning of the coordination studies of 1933. Over the past quarter of a century, a vast network of hard surfaced highways has been provided, which, together with the erosion resulting from development of other competitive forms of transportation, has diverted much freight and passenger traffic from the rails. Duplicate rail routes between common competitive points no longer have to be kept in order to provide service for the non-competitive intermediate communities. Thousands of smaller stations have disappeared from the railway map since 1930, and the importance of many others as contributors of freight has shrunk materially. The diversion of the traffic of the smaller places to the highways may now justify concentration of through movements on a single main line, either through the means of consolidation or coordination.

Changed circumstances alter attitudes, and accordingly the joint use of main tracks between the more important rail centers becomes less objectionable to the minor intermediate communities that are deprived of train service. This permits, or makes less objectionable, the abandonment of the trackage, or its declassification from "main" to "branch" line status with the attendant savings in operating and maintenance costs.

Freight and passenger movements do not end at the physical boundaries of the railways on which they originate; they have long been inter-company, nation-wide and international in scope. Very early in their development, railways had to function as a nationally unified system from the standpoint of both services and pricing, though still possessed with the vitalizing characteristics of privately managed businesses. This ultimately required the coordination of the commercial and operating practices of the many companies extending over a quarter of a million miles of road and distributed among many companies of varying sizes and classification.

Fundamental Characteristic

A fundamental characteristic that has had a decisive influence, not only upon the pattern of their physical development, but also upon their pricing practices, is that the railroads produce an intangible service, a service that cannot be barrelled, baled or boxed, and can only be used where and when it is provided. It cannot be stored or saved—it must be produced at the point where needed, and as needed, and peak requirements cannot be met through inventory accumulation, but must be built into the capacity of railway plant and its supply of equipment.

These basic characteristics required the construction of the great body of rail mileage that interlaces every settled part of the continent. The extent of railroad mileage and facilities were principally determined by the necessities of area and distances, rather than by the volume of available traffic. The physical requirements have too often exceeded the business required to support the scope of the operations called for by the service provided. A geographically adequate system has therefore, from the outset, possessed capacity in excess of potential traffic, except during the limited periods of maximum industrial activity caused either by war or its after effects.

The cost of operating all businesses that produce intangible products is primarily related to the burden of providing capacity to serve. In the case of a railroad, four-fifths of its total cost, charges and expenses are directly related to the provision of capacity, and only one-fifth to the extent of the use made of the full capacity available. So, both from the standpoint of minimizing capital charges and operating expenses, the greatest opportunity for efficient and profitable operation is to utilize available property and equipment as intensively as possible.

Few industries have as high a proportion of investment to revenues produced as have the railroads. Currently, the ratio is three to one, but it would be much higher except for the fact of current inflation, which has affected revenues very much but aggregate investment to a much lesser extent.

A so-called railroad problem has existed as long as the railroads themselves. Its manifestations have varied at different periods, but the fundamental cause has invariably been the difficulty of procuring the capital required —in earlier times for external and in more recent decades for internal developments—and to find traffic adequate to utilize fully the capacity of the existing plant and equipment.

Present Problem

The present fiscal anemia of the railroads has been caused by the traffic attrition resulting from the over-regulation prescribed by the Interstate Commerce Act. This has resulted in cartelization of the market for transportation and the consequent diversion of tremendous totals of freight and passenger movements from the railroads to other forms of transportation. A superficial observation is that a lesser volume of traffic produced profitable operations in the past and should do so now. This is entirely erroneous because a much less favorable relationship now exists between rates and costs, or, more technically, between the prices at which rail services are sold, measured in ton miles and passenger miles, and the prices paid for wages and materials, measured by the same units.

The problem of successful railroading, as is the case in other businesses, is a matter of adapting production to sales, and plant and equipment to production. The wide disparity between railway

earning power and that of business in general is the result of the regulatory restrictions under which railroads operate and the obstacles that are placed in their way in pricing their product so as to give effect to their mass production characteristics and the difficulty of adjusting their services to offset declining traffic. The better fiscal status of the railroads in some parts of the country does not refute this view. Their fiscal status is very largely due to the external circumstance of population and economic growth. These have been sufficient to offset the losses to competitive transportation and still leave a margin. The basic disease is still over-regulation.

The problem of adjusting plant and equipment, hence investment and operation, to the service requirements and potential of the area covered, has been a basic factor to the successful operation of railroads from the outset. It motivated the policies and actions of early railroad builders and managers as much as it does today; in fact, probably more so, because they had freedom to operate in accordance with economic principles. A primary manifestation of this is still found in our present railway systems because they were formed by the successive mergers of many small companies. Common use of the separate equipment and property of the constituent companies and the giving up of competitive operations were the objectives to be achieved.

The importance of railroad consolidation hardly needs explanation or justification to be well-informed, though familiarity with the corporate arrangements that contribute so much to the operation of our present system may cause us to overlook the advantage of consolidation. However, continuing economic pressures will force the railroads to look again at consolidation as a means of improved efficiency and economy in the particularly difficult circumstances now confronting them.

Paying for Modernization

Most are familiar with the accomplishments of the railroad industry through dieselization. This type of motive power has almost completely replaced the steam locomotive. This was accomplished through an investment of approximately $3½ billion. This investment provides economies of approximately $1 billion annually in comparison with the costs that would have been incurred with steam operation. These savings represent virtually the entire earnings power of the railroads over the past 10 years. The rapid dieselization of the American railroads and the related improvements to physical plant and to cars that were necessary to obtain the benefits of the new motive power required the expenditure of virtually the entire fiscal resources of the railroad industry, including those generated by these improvements.

Savings of another billion dollars per year are urgently needed to preserve not only the physical and financial integrity of the railroad industry, but also to pay for its rapid modernization. It's not enough to get the patient out of bed and into a wheel chair; he is not cured unless he can walk and run. The A. R. E. A., even more than most other groups of railroad officers, is well aware of the enormous savings that could be generated by major improvements, but it also knows equally well that such improvements require large capital funds which few railroads either possess or may obtain in amounts adequate for their needs.

There is just one way in which the American railroads can quickly generate a billion dollars of savings per year. That is through large scale consolidation. Using an eight-year average, 1950-57, and round sums, railway gross revenues have been $10 billion per year and net railway operating income has been $1 billion per year. It is of significance that American railroads attained the billion dollar total of net railway income for the first time during the flood-tide of the war-induced traffic of 1916. Overregulation has held it at that level during the intervening 40-year period notwithstanding the expansion of traffic, the enlargement and improvement of railway plant and equipment and the great increase in the level of prices and wages.

Advocates 20 Systems

I am firmly of the opinion that all of the 220,000 miles of American railroads should be consolidated into a limited number of large systems, no more than 20 as a maximum, and preferably a much smaller number. The competition of two, or possibly three railroads, could well be provided at the principal centers, except possibly in New England. I am confident that had the traffic of each recent year been moved over railroad systems consolidated to this extent, not only would the service have been much better, but there would have been a reduction of at least $1 billion per year in operating expenses. Routing over a reduced mileage, with fewer terminals, would provide the most economical service and permit this saving.

This billion dollars is just what the railroads will need each year to modernize their plant and revitalize their services. It would be practically free money, for only incidental additional investment would be required to effectuate connections between routes and yards and terminals of the presently separate companies that would be merged. Thereafter, the resultant earning power could be utilized and capitalized to create truly "Super-Railroads" that would be representative of the best of everything applicable to rail transportation.

Political and Other Problems

Consolidation faces great external political problems and great internal policy problems. These are beyond the scope of my assigned subject, but I mention them in order that to dispel the illusion that the benefits of consolidation can be had for the mere asking.

An estimated 11% over-all reduction in operating expenses following national consolidation of railroads would, of course, entail an equivalent force reduction, provided traffic remained static. However, the vitalizing effect of the service improvements of consolidation and the rate adjustments that would follow should enable the railroads to recover more than an offsetting amount of traffic and would actually lead to a net increase, rather than a decrease, in railroad employment over a near-term span of years. The alternative to consolidation may be a continued traffic decline that will displace a greater number of employees who will have little prospect of returning to their former jobs except as the death or retirement of senior employees create vacancies.

My presentation is not to be focused on consolidation, however, so I should go no further in discussing that large and complex question. Consideration of consolidation is, nevertheless, essential as a background for considering the possibilities of coordination, since coordination is frequently suggested as a substitute for consolidation. There are some parallels between them. The difference is, of course, that under consolidation, previously separate properties, organizations, traffic and operations are completely merged and extinguished as individual entities, while under coordination, separate facilities and services are used in common, but the companies themselves continue to exist and operate as before. Occasionally, operations themselves are merged but this has been the exceptional case rather than the rule in previous coordinations.

Attempts to Economize

Many instances exist where properties are used in common by two or more railroads. They range from the simplest operations and smallest stations up to the great jointly-owned terminals that provide freight and passenger services in some of the nation's largest cities. Every use of one railroad's tracks or property by another carrier, or the creation of a separate company to own trackage or facilities and provide a consolidated operation, is an example of coordination.

Many joint facilities were initially constructed to overcome the necessity of constructing parallel and duplicate facilities. In other instances, paralleling facilities of two or more railroads have been pooled for joint use, with both ownerships remaining intact. An illustration of this is the pairing of single track operations to provide the improved flexibility, safety and expedition of train movement of a double track. Pooled freight and passenger train services, interchangeable tickets and consolidated ticket offices are other familiar examples of coordination. Wherever extraordinarily expensive route facilities are required, as in the case of terminals and at the crossings of major waterways, added incentive exists for the joint use of facilities.

My discussion of the utilization of joint facilities has thus far been focused on fixed property. The railroad freight car is the prime example of a "joint railroad facility," since it can be and is utilized by any railroad in the country. The joint use of a fixed property is, of course, limited to those who have negotiated a special proprietary or tenancy privilege. Freight cars alone have complete universality of joint use. Passenger cars have the same capabilities in this respect, but are used less in joint service.

Over the period of my railroad career, I have engaged in a number of comprehensive studies of both coordination and consolidation. Based on this experience, it is my considered opinion that the maximum savings to be gained from full-scale coordination are only 10% of those obtainable from large-scale consolidation. This is to say that coordination, maintaining the competitive traffic individuality of the present companies, would produce economies of about $100 million a year. This figure could be raised if there was something more than the ordinary coordination of existing facilities. If there was coordination of service through extensive pooling or of one railroad withdrawing from competitive operations in one place or area in consideration of its rival doing the same elsewhere, the savings through the joint use of property could be much more. Perhaps this kind of coordination is out of the realm of the possible in more than a few instances.

I could list a large number of potential coordinations, but specific examples have no place in this discussion. Their introduction would bring in an element of controversy and would divert our attention from principles.

Numerous Obstacles

I would not minimize the obstacles to both consolidation or coordination. We can point to difficulties that have prevented the attainment of desirable coordinations. Many of these obstacles continue to exist. However, the pressures are now so great, and are so likely to be increased, that a new approach is called for. Both the public and the politicians are more aware of railroad problems than ever before and I detect a more sympathetic, if not a more understanding, approach. There should be less public and political opposition than heretofore.

One of the beliefs that has prevented both coordination and consolidation is that a maximum amount of railroad mileage had to be kept to serve each local community by all existing routes, even by routes having the lightest traffic density. The emerging pattern of highway development is changing this and it is no longer necessary to continue such a great mass of railroad mileage.

Another helpful development is that the diesel locomotive has greatly reduced the number of points at which locomotive servicing and repairing take place. Car repair points have also been concentrated. Improvements in signals and communications, and the mechanization of accounting, have also brought about greater concentration of work. All of these developments, to name only a few, facilitate coordination.

Three Inexorable Choices

The railroads are now being confronted, inexorably, with three choices: (1) reduction of the service, which means a partial liquidation of operations, (2) dismantling of structures or deferring their maintenance, which means partial liquidation of the property, or, and perhaps it is "and," (3) curtailment of earning power, with all its concomitant effect, which amounts to fiscal liquidation. I would advise, if given the choice, partial liquidation of the property, rather than risk the perils of service or fiscal liquidation. Coordination offers the best opportunity for bringing about a partial liquidation of property and facilities without impairment of service or of profits. Otherwise, our railroads may suffer the ravages of all three forms of liquidation.

The vast rail network of America, especially in the more populous areas and heavily industrialized districts, contains a pattern of trackage that is, on the whole, excessive in relation to present needs. It contains much that is obsolete and inefficient. Officers experienced in the operating and engineering departments can see many benefits flowing from rearrangement of this pattern in a manner that will permit the abandonment, or the shrinkage, of a considerable portion of it. The more intensive utilization of the remainder would reduce expenses and improve the service.

The problem is not how to identify the projects, but how to accomplish the coordination. Every joint facility arrangement on the railroads of the United States, and they run into the tens of thousands, is covered by a written agreement that specifies each party's rights, duties and privileges. These agreements have been patiently negotiated, frequently over long periods, and no doubt many of them accomplish what at first seemed impossible. Having been employed by several different railroads, and by railroads in different parts of the country, and by financial organizations having close business relationships with many railroads, I am sometimes astonished at the suspicion with which one railroad group will view another. Many a joint facility arrangement has grown out of a catastrophe that has forced one line to use the facilities of another. To the surprise of each company it has actually worked, and it has been made permanent to the satisfaction of all concerned.

The great problem in working out a joint facility arrangement is how to assess the benefits and divide the costs. Frequently there are situations that involve competitive traffic and there is a natural unwillingness on the part of one line to give up an advantage to another. These can be easily visualized from actual experience. I am not suggesting that these are not real problems. But maybe the other line would pay the price, or accept an offer for a joint study.

We must fortify ourselves against misgivings arising from unsuccessful efforts; we must banish the ghosts of past failures that impede even trying; we must use new resourcefulness and realize that times have changed and that the necessities are now more compelling.

The civil engineering profession, so effectively embraced within American Railway Engineering Association, represents the men who have custody of the fixed property of our railroads. Their engineering training should give them superior analytical ability and their positions should supply them with knowledge of the opportunities. There is, therefore, no group of men within the railroad industry that is better qualified to initiate more intensive utilization of railroad property through increased use of joint facility arrangements.

Consolidation arrangements, or the initiation of consolidation studies, involve large policy determinations, and few members of A.R.E.A. carry responsibilities that would permit them to propose such things, even if commended to their judgment. But coordination through increased use of joint facilities is vastly different. There are many small projects, and even some large ones, that A.R.E.A. members can initiate, and, if found worthy, that they can recommend. I even venture to say that it is their duty to do so.

The longest journey begins with the first step.

Douglas Aircraft Co. Debentures Offered

Offering of $60,000,000 Douglas Aircraft Co., Inc. 5% sinking fund debentures, due April 1, 1978 is being made today (April 10) by an underwriting group headed by Merrill Lynch, Pierce, Fenner & Smith and Kuhn, Loeb & Co. The debentures are priced to the public at 100% and accrued interest.

Proceeds from the sale of the debentures will be added to the company's working capital for among other things to (a) repay, or partially repay, short-term bank loans; (b) meet increased cash requirements resulting from increased investment in inventories; (c) keep the company in a position to accept orders or undertake projects for the Government; (d) maintain its financial ability to further advance the company's position in the development and production of commercial aircraft, particularly its jet transport program; and (e) for additions and improvements to its properties and facilities.

The debentures will be redeemable through April 1, 1961 at 106% and thereafter at receding prices to par, but the debentures will not be refundable at a lower interest cost for five years. An annual sinking fund commencing in 1963, will provide for retirement of approximately 93% of the issue one year prior to maturity. Sinking fund redemption of the debentures will be at par.

Douglas Aircraft Co., Inc. is engaged in the design, manufacture and sale of aircraft, missiles, and spare parts, and in related activities.

For the year ended Nov. 30, 1957, the company reported net income of $30,666,000 on net sales of $1,091,366,000.

With Stone & Youngberg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Arnold Masson has become affiliated with Stone & Youngsberg, Russ Building, members of the Pacific Coast Stock Exchange.

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Price of Air Superiority Upon the Defense Industry

riod beyond 1962, when new weapons, strategies and support techniques will make possible a new order of logistical flexibility. Our plans involve a significant part of our total Command structure. When this improved logistics program is completed we will have achieved tremendous savings in overhead costs—savings which can be converted to operational weapon system muscle.

Finally, we are concentrating upon direct costs of our materiel working to evolve businesslike pricing that insures us top value for the Air Force dollar, and insures industry sufficient profits, fairly earned. I need not go into great detail with you concerning the difficulties of pricing much of this complex new materiel for which we are now contracting. Much of the trouble, of course, centers about the establishment of target costs for items which don't exist and have never before been produced. This is complicated by the time pressures upon us and by the fact that much of this equipment is so complex, and potential producers so limited, that really competitive price standards have never emerged for it.

We know that contractors like profits and do not like government controls, which is human enough. Our own philosophy is that industry is entitled to a fair profit which will keep it in business—**if it earns that profit.** We do not believe that the award of a government contract should automatically guarantee profit, or that we can afford to assume all of the risk all of the time. Both cost-plus-fixed-fee contracts and advance fixed price contracts operate ultimately in accordance with our policy of earned profit. We do feel, however, that more can be done in the use of incentive formula contracts which will place the highest possible premium upon the contractor's own management skills. We must at no time, of course, achieve cost reduction at a risk of degraded product performance.

We have recently been experimenting with contracts which incorporate a dollar profit incentive for good performance and timely delivery. They provide additional profit for the accomplishment of specific goals, impose penalties for failure to meet those goals. Many development type contracts particularly lend themselves to this technique, but we are interested in its wider application wherever possible. You may be interested in bringing this to the attention of your negotiators as an opportunity to fairly earn more profit. We consider the premium paid for superior performance to be a sound business investment.

This is a very brief idea of some of our Air Force efforts to meet and absorb the rising costs of our present air power. I think that I should also put forward to the representatives of a large cross-section of our defense industry, certain industrial responsibilities, as we see them.

First of all, we feel strongly that industry must help us to reduce costs by controlling its own overhead, reducing any non-essential "gold-plating" in its operations, including general administrative expense. We are particularly concerned with the high ratio of overhead to total cost in plants which have suffered decreases in sales volume due to the changing requirements of air logistics. In slashing our own overhead we are fully aware of the many difficulties involved in closing facilities of long standing, disposing of equipment no longer essential to our operations, dealing fairly and constructively with displaced personnel. We do it because we know that we cannot support the past, as well as the present and future, on our available resources. Neither can defense industry do that. The company which continues to carry a burden of non-contributive overhead will never make the grade, because we are down to the bedrock of buying product, not prestige.

Integrity of that product should be the second all-out effort of industry. For some years now our manned weapon systems have demanded an ever-increasing degree of component reliability. In missiles that requirement is almost incredibly intensified. The removal from the picture of the human operator results in a tremendous bulk and complexity of compensatory systems and components, both within the missile itself and on the ground. The ATLAS intercontinental ballistic missile, for instance, comprises five major sub-systems, with an average of 100 components in each sub-system—a grand total of some 300,000 parts. If the complete missile is to have even a 50-50 chance of a successful firing, the individual components in it must have a reliability of 999 in 1,000. And a 50% firing reliability is very far from meeting our strategic requirements of these missiles.

Funds obligated in the electronic field alone during the current fiscal year total about $1.3 billion. That is more than 20 times the total estimated cost to the Congress and the 13 states of the American Revolution, the price of our original freedom. That money, plus the product integrity of American industry **must** give us reliability, or our whole defense investment in these great new weapons is endangered. I have stressed electronics because this is so vital and complex a field. But any weapon system of today, missile or manned aircraft, is a mass of interdependent components. The failure of any one can destroy the entire weapon system, or write it off the roster of ready strength. Any increase in reliability which industry can achieve is an ultimate reduction in the cost of our air power.

Finally, a few words about the necessity for industry's understanding and acceptance of the changing concepts imposed upon us by new weapons and strategies of air power. Some of these affect adversely certain segments of industry. For them the price of our air power, at least in this period of transition, is high. It would be futile to deny that, or to offer the hope that our defense resources can, with any lasting effect, cushion or compensate the losers. We are operating too close to the bone for that. It would seem that we have come to an acid test of the adaptability of free enterprise.

Three New Concepts Concerning Industry's Role

Three concepts which have grown out of the altered imperatives of air power account for most of the change which industry will be heir to within the immediate future. The first is probably welcomed as a simplification of previous attempts at industrial mobilization. I might call it the "now or never" concept of industrial preparedness. We have faced the fact that the decisive phase of any future general war will be short; that it will be fought with the military resources on hand at the outbreak of hostilities. We must, therefore, subscribe to readiness - before - the - fact, not mobilization-after-the-fact. Our objective now is to retain only those production resources needed for future programmed production and development.

In case of general war, production and maintenance will be compressed by pushing through the production lines all that can be finished within hours or days. For local wars production will be accelerated by stepping up the tempo in existing production facilities. Any more elaborate attempts to forecast mobilization needs, or hold extensive production facilities or materials in mothballed standby status is unrealistic. It constitutes a drain upon our resources for immediate defense. We are, therefore, disposing of this excess baggage. Industry, too, can economize by cleaning its mobilization attic. I suspect it will be done with relief.

The second changing concept undoubtedly has more disturbing connotations from the industrial viewpoint. It is now obvious that defense production is undergoing a shift from high volume or mass production to precision production of more limited quantities of increasingly complex materiel. We shall not see again in defense industry the great production lines of the early 40s rolling out 50 to 100,000 planes a year for the thundering air raids that overwhelmed fortress Europe. Qualitative, not quantitative superiority is the key to future victory in the air. In defense output our American production genius must be concentrated today upon precision and unfailing integrity of product. Industry should move **now** to realistically gear its facilities and production engineering to this already well-established trend.

Favors Large Contractors

A third moving force now changing the industrial picture is the weapon system concept. Weapon system management is a logical and inevitable outgrowth of the defense necessities and weapons of recent years. The terrific increase in the requirement for high performance weapons has produced a corresponding increase in complexity. Complexity has produced the weapon system method of procurement, as the only means by which we can get integrated, functioning systems into our arsenal in any reasonable span of time.

It has been justly argued that the concept tends to emphasize the large contractor. It is true. Small business simply does not possess the facilities and the resources to compete for prime weapon system contracts. Prime contractors, for instance, must make a considerable investment in major research and development, as well as actual production facilities. Almost $114 million in private industrial capital has, to date, gone into research, testing and production facilities for the ballistic missiles program. We are arming an Air Force for survival, under great pressure of time, and within the strictures of sharply limited resources. We cannot afford to temper the competition at top weapon system level to the small or highly specialized producer.

What is not generally enough realized is that opportunities for this type of producer in the subcontracting market are almost unlimited. We have encouraged our major prime suppliers in the ballistic missiles program to subcontract to the fullest extent, wherever and whenever possible. A glance at the very broad-based pyramid of ballistic missile production will give you an idea of the real scope of second and third tier contracts. A total of 17 prime contractors in the program pass missile work along to some 200 major subcontractors and ultimately on to approximately 200,000 subcontractors and suppliers.

The actual figures from individual prime contractors confirm this sifting down of defense dollars. A large engine prime contractor in 1957, for example, subcontracted $76 million of his total contract, 66% of it—or almost $51 million—to small businesses employing 500 or less people.

The opportunity does exist for relatively small producers—if they can adjust constructively to present inescapable realities. Missiles, in particular, are still in the model T stage. There is ample scope for any producer who can come up with improved sub-systems, components or parts, especially those which are smaller, lighter, cheaper or — most important — more reliable than present items. That is not a new or shocking challenge to free enterprise. Change has cost us such adaptations before and we have turned them to new surges of economic growth.

The price of air superiority in our present situation is high. Our best hope of keeping it within supportable bounds is to recognize that fact and acknowledge our individual responsibilities in this defense of the nation. We must **not** add to that cost the crushing overhead of inefficiency, lack of creative forward vision, or unduly demanding self-interest. If we do that at this time we may, in the most tragic sense, deliver ourselves—naked—to our enemies.

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Productive Maintenance Now to Meet Future Production Needs

having and will continue to have on our economic system.

Recently the Census Bureau estimated the U. S. population at approximately 172 million as of Sept. 1, 1957. By 1970 the experts predict that the population will top 200 million.

Admittedly, increasing population is no guarantee that industry will grow in proportion. If this were so, then China and India would be two of the world's most advanced countries from an industrial standpoint. However, under the free economic system of our country, each generation strives to improve its way of life and the amount of improvement is limited only by an individual's personal drive and ingenuity. Hence, under our system, **more people, in general** mean a larger potential market for more goods and services.

This year, 1958, approximately 4 million babies will be born in this country. Now aside from just increasing the population what effect will this bumper crop have on industry?

Some statistical experts recently calculated that these 4 million babies will in the years ahead require:

ITEM	VOLUME
Pairs of shoes	1,000,000,000
Suits of clothes	62,000,000
Quarts of milk	50,000,000,000
New Cars	11,000,000
Electric refrigerators	6,000,000
Tons of steel	200,000,000
Pounds of beef	25,000,000,000
Tons of paper	65,200,000

The list could go on into gallons of gas, aluminum windows etc. The important thing to remember is that the above requirements will be needed for 1958 babies only, 1959, 1960, etc. will each require equal or larger amounts. Remember that the luxuries of yesterday are looked on as necessities today.

The total effect of **more people** with **more dollars** wanting **more products** presents industrial management with many challenging problems to produce the goods required.

For example, although the increase in the labor force during the next ten years is estimated to be only 12%, during this same period the Gross National Product is expected to increase by almost 40%.

How do we increase production at a rate 3½ times faster than the increase in available productive labor? Industry has already found the answer to this seemingly impossible problem in the increase of mechanization and electrification of productive processes. Today every **man hour** of direct labor is assisted by about 7 horsepower in electric energy and by 1967 this figure will increase to 14 horsepower. Machines will be larger, more complex and more complicated. Factory production lines will have the output of one machine or unit feeding the input of the next.

The end result, which is increasingly obvious to all of you, is automation. With the engineering skill and technical "know-how" already available to automate so that production can be controlled by punch button operation—where is the challenge, the sense of urgency mentioned earlier? Have the wheels of progress really bumped against a road block because of management's attitude or thinking on maintenance?

Road Block No. 1—Expense or Cost?

Those expensive and fantastically ingenious machines that make up a mechanized line today, or an automated line tomorrow, are in reality dumb animals that require care and maintenance which can only be supplied by human hands and brains. While admitting that some maintenance is necessary, management too often looks upon it as a "necessary evil", the total cost of which should be kept to a minimum.

Proper maintenance should not be considered as a separate "expense" item but rather as an item of production cost along with raw material and direct labor. The point must be sold that the effectiveness of a maintenance program can mean the difference between Profit and Loss in a plants operation.

How much should be spent on maintenance? Again the concept must be pushed that "total" dollars spent for maintenance have no significance as such. A given plant might spend a large sum and still not spend enough—or half that amount can, in other cases, be too much.

Recently the chief engineer of a large Company told me that the policy of his management was to spend an amount for maintenance that was about equal to the direct labor cost. Any amount higher than the direct labor cost was too much and should be cut back. Obviously, if this policy is kept in force and as this plant approaches complete automation, then its maintenance budget will approach zero. Something must be wrong with the measurement policy used at that plant.

Actually it is expected that in the next 10 years we will see many plants where the maintenance crew is the largest labor force in the plant.

To look at an oversimplified example of "how much is enough," let's look at a fictitious paper plant with these conditions:

Plant Output: 4,000 tons per week: 200,000 tons per year (50 weeks).

Gross Product: $20,000,000 at $100 per ton.

Net Profit: $2,000,000 at 10%.

Let's assume that this plant now spends 5% of gross product or $1,000,000 on maintenance. Is that

too much?—or is it enough? Let's suppose the maintenance engineer wants to increase his maintenance budget by 10% or another $100,000—should management approve the request.

Let's look at it this way—the present maintenance cost is $5 per ton produced. What will this request for an extra $100,000 do to our cost per ton? If the answer is that the extra money will give a 5% increase in output from existing equipment you'll find very quickly that the maintenance cost per ton goes up from $5 to $5.50. But look what happens to the net after taxes—that jumps from $2,000,000 to $2,100,000. So we see that a 10% increase in maintenance costs will increase the plant's net income by 5%. The answer to the question as to whether or not the maintenance budget should be increased is obviously yes—and $1,100,000 is not too much for maintenance.

I hope that this simple example helps to show that the real yard stick for dollars spent on maintenance must be the evaluation of the maintenance cost per unit produced.

Road Block #2—Maintenance Organization

The days are gone forever when a good all around mechanic can be the maintenance boss. In the highly mechanized plant of the future the chances are that the maintenance engineer will manage the largest direct labor force in the plant. The purchase and delivery of incoming raw materials, plant inventory, shipments out, sales, etc., will all revolve around and must be keyed in with the ability of the maintenance group to keep the plant producing as scheduled. In a highly automated plant, even a 5-day, unscheduled shut down due to equipment failure could be disastrous.

The maintenance engineer then, must be at such a level in management that expenditures and maintenance procedures can be put into effect promptly and with full cooperation from other departments and in such a manner that the best interests of the Company are served.

Our second challenge, therefore, is to convince management that the man responsible for maintenance must be up-graded to a position on the management team along with engineering, purchasing manufacturing, and marketing.

How To

Assuming that we have broken through the road blocks and management gives you the green light on maintenance—where do we go—where to start?

Much information is available in various forms on Productive Maintenance. Although "The 5 Steps of Productive Maintenance" may be well known to some of you—here they are again in brief form:

Step #1 — Gather complete equipment data. You must have facts on location of equipment, what it is and what it does.

Step #2—Determine extent of routine maintenance. In other words set up a routine program for inspection, lubrication, and minor parts replacements for the equipment listed under Step #1.

Step #3 — Establish a routine operating control system. This covers the basic record keeping for the purchasing and stocking of minor parts, tickler systems for scheduling routine maintenance, record of work done, costs etc.

Step #4—Evaluate for critical maintenance. It is in this area that top engineering judgment is required to insure maximum continuity of production and to secure the real pay-off from Productive Maintenance. In this step a list is made of each piece of critical equipment in order of its importance to production. The critical items must then be carefully inspected to set up a planned overhaul schedule. The cost of breakdowns and downtime for each piece of equipment must be balanced against the cost of stocking standbys or parts. This information is used to determine the best protection for the productive system at the least cost.

Step #5 — Establish a critical maintenance program. Here the decisions arrived at in Step 4 are put into effect. Definite budget plans are made to establish the critical spares stock. Overhauls are projected over the future years to systematically up-grade the condition of the equipment. Using this method eliminates the danger of someday finding an entire line or process that requires immediate overhauling to reduce the danger of an unplanned outage.

Will It Work

A Productive Maintenance program may sound good — but the real criterion is "Will It Work."

In 1956 the General Electric Company spent about $107 million on maintenance. However, in our Company which is highly decentralized, each producing department is responsible for its own maintenance. As a result we go all the way from model "Productive Maintenance" programs to the "bury it in the basement" type. One of the model programs was instituted by our Light Military Equipment Department in 1954. Here are some of the results as reported by the Manager of Manufacturing.

(1) Average unscheduled downtime reduced 45% the first year.

(2) Pin-pointed those facilities which cost most to maintain and why.

(3) Equipment replacement easily forecast and most desirable make specified in orderly manner.

(4) Maintenance crews have a pre-determined work load.

(5) For the first time maintenance budgets can be based on facts.

Soundly engineered Productive Maintenance programs are working successfully in heavy industry, such as steel and cement, as well as, believe it or not, at a race track which applies Productive Maintenance to its electric tote board equipment.

The Time Is Now

The concept of Productive Maintenance must be sold to industrial management now! With today's conditions of slow business, tight money and cutback of expenditures, this presents a real challenge. On the other hand, a period of slack production could be the ideal time to plan and institute a soundly engineered program.

Management must be convinced that Productive Maintenance is not just an expense but rather one of the real keys to profits, both present and future.

Industry must realize that the more rapidly it progresses toward automation, the more it spends for larger, finer and more elaborate tools, then the more urgent and necessary becomes a planned Productive Maintenance program to insure that optimum profits will be returned from the investment in facilities and equipment. Idle equipment has no earning power.

Conclusion

In concluding, I should like to borrow liberally from an unknown author who said:

"And in those days, Behold! There came through the gates of the city a **Productive Maintenance Engineer** from afar off, and it came to pass as the days went by that he engineerth plenty.

And in that same city were they that were the Production Losers and they who had no Program and repaired their equipment only when it failed. Mightily were they astonished. They said one to the other, "What the Hell, how doth he getteth away with it?" And it came to pass that many were gathered at the rear of the Temple and a Soothsayer came among them. And he was One Wise Guy. And they spoke and questioned him saying, "How is it that this stranger accomplisheth the impossible?"

Whereupon the Soothsayer made answer: "He of whom you speak is one outstanding Maintenance Engineer. He burneth not the midnight oil but useth of measure full the formulae of Productive Maintenance. He practiceth hard and knoweth not the lack of records or the shortage of spare parts. He cometh before the people arrayed in purple and fine linen and with clear eyes while you go forth with pants unpressed and eyes reddeened by all night work on emergency breakdowns.

"While ye gathereth here and say one to the other, 'Verily, this is a terrible mess we have allowed our equipment to get into,' he hath already fixed his! And when the eleventh hour cometh, he needeth no alibis. He knoweth his subject well and they that once ignored him are they that now listen and seek his counsel. Managers say unto him 'Nay' when he cometh in with budget in hand; yet, when he goeth forth he hath their names on the line that is dotted.

" He taketh with him the two angels, 'Inspiration' and 'Perspiration,' and worketh to beat the devil. Verily, I say unto you, Go and do likewise."

Joins Boettcher Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James W. Sorensen is now with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Joins Hathaway Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Roy A Swanson is now with Hathaway Investment Corp., 900 South Pearl St. He was formerly with Allen Investment Co.

Now With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Edmund Steinauer, Jr. is now with J. A. Hogle & Co., Equitable Building. He was previously with Kirchner, Ormsbee & Wiesner.

Russell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Stewart L. Herman has been added to the staff of Russell Investment Co., Boston Building. He was formerly with Carroll, Kirchner & Jacquith, Inc.

Joins Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Dennis J. Murphy, Jr. has joined the staff of Norman F. Dacey & Associates, 114 State Street.

First Miami Corp. Formed

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—First Miami Corporation has been formed with offices at 805 Venetian Way to engage in a securities business. Officers are H. Wiener, President; M. D. Faye, Vice-President; and Bernard Robins, Secretary-Treasurer.

E. H. Coltharp Opens

SALT LAKE CITY, Utah—E. H. Coltharp & Company has been formed with offices in the Newhouse Building to engage in a securities business. Officers are Edward H. Coltharp, President and Treasurer; M. N. Coltharp, Vice-President; and Frank R. Bayle, Secretary. Mr. Coltharp was formerly an officer of Coltharp Investment, Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The new money operation of the Treasury was taken care of by an offering of $3,500,000,000 of 2⅝% notes due Feb. 15, 1963. It had been expected that a "package deal" would be made available for this financing, with a one-year obligation being a very prominent part of it. However, as is usually the case, the Treasury had to have its little surprise for the money market and this time it was a single issue with a maturity just under five years. There is no question about this note being tailored to meet the needs of the deposit banks, and since they have the available funds, the new money offering of the Treasury was a very successful undertaking.

The Government, by making its new money issue an obligation with a note maturity, is leaving the bond market open for the flotation of securities by corporations and municipal units. The debt management policy of the Treasury is now being used to supplement the easy money program of the powers that be in fighting the forces of recession.

Commercial Banks Add to Portfolios

The commercial banks have benefited from the easy money program of the monetary authorities, as well as the smaller loan demand, and this has resulted in sizable purchases of securities The decrease in loans which has taken place among the deposit institutions has been offset in the main by commitments that have been made in Governments, both corporates and tax-free obligations. This building up of the investment portfolios of the commercial banks has put part of the funds to work which were made available to these institutions when reserve requirements were lowered by the Federal Reserve Board.

Government Holdings Extended Maturity-Wise

It is evident from the information which has been gathered here and there that most member banks of the Federal Reserve System, in their recent purchases of Government securities, have remained pretty much in the short-term category. The commercial banks have been anxious for some time now to replenish their holding of near-term Treasury issues and when they were given the opportunity there was no hesitation on their part to make these purchases. From Treasury bills there has been a systematic lengthening of maturities, with a new 2⅝% note and the eight and one-half year 3% bond finding homes in great number of commercial bank portfolios.

However, it is evident that the deposit institutions are not inclined in most cases to extend maturities too much beyond the 10-year range, since they believe that a turn in interest rates in the opposite direction in the future will have too adverse an effect on obligations coming due in more than 10 years.

Uptrend in Bank Buying of Municipals

Some commitments have been made by the banks in corporate securities which would be classified as long-term obligations but these purchases have not been sizable. On the other hand, these banks have been important buyers of tax-exempt securities with these purchases being made principally within the 10-year maturity limit. It is reported that the deposit institutions have been making most of their commitments in municipals, in the three, four and five year obligations. To be sure, yields on the short-tax free issues have gone down sharply, largely due to this buying by commercial banks. Nonetheless, it is indicated, that these banks will continue to make purchases of the near-term tax-exempts even in the face of declining rates of return.

Money Supply Being Augmented

The expansion in the investment holdings of the commercial banks is adding to the money supply and this is one of the ways in which the forces of the recession can be combatted. The new money raising operation of the Treasury is also another way in which the money supply will be added to, especially when the obligations are tailored to meet the needs of the commercial banks as the current offering is. The purchases of Government securities by the deposit institutions, usually through the tax and loan account, as is the case now, creates bank deposits which are purchasing power.

Look for Cut in Savings Deposits Reserves

The commercial banks that have sizable amounts of savings deposits, which in not a few instances are more important to them than demand deposits or commercial deposits, are hoping for a decrease in the reserve requirements that are held against savings deposits. The recent reductions in reserve requirements against demand deposits, as far as most of these banks are concerned, has given them very little in the way of free funds to work with because of the small amount of commercial deposits which they have. On the other hand, a decrease in the reserves which are being held against savings deposits (5% now) would give these banks substantial funds that could be used to purchase mortgages, or other income bearing obligations.

With Morrison Co.

(Special to THE FINANCIAL CHRONICLE)

NEWTON, N. C. — James E. Casey, Carl H. Cox, Joseph P. Lewis, Samuel L. Nabers, Jr. and Walter H. Shapiro are now with Morrison & Co., Northwestern Bank Building.

Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Paul H. Efird, Jr. has become connected with Reynolds & Co., 221 South Church Street.

With First Secs.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Raymond L. Royce is now affiliated with First Securities Company of Kansas, Inc., Insurance Exchange Building.

McCarley Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Andrew R. Blair has become connected with McCarley & Company, Inc., Liberty Life Building.

Richard Fox Opens

HOUSTON, Tex. — Richard F. Fox is engaging in a securities business from offices at 2405 San Jacinto Street. He was formerly with Kramer & Co.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Myron J. Mendel has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Mr. Mendel was formerly with Marache, Dofflemyre & Co.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Richard J. Martin has joined the staff of Francis I. du Pont & Co., 2117 Merced Street. He was previously with E. F. Hutton & Company.

Two With Reynolds Co.

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—Douglas W. Siegalkoff and John S. Wong have become affiliated with Reynolds & Co., 301 East Weber Avenue. Both were formerly with Managed Investment Program.

With Smith La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — William F. Lethert has become affiliated with Smith, La Hue & Co., Pioneer Building.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Oscar C. Akre is now affiliated with State Bond & Mortgage Co., 28 North Minnesota Street.

Now Atlas Securities

CHEYENNE, Wyo.—The firm of Allen Runyan Investments, 1716 Capitol Avenue, has been changed to Atlas Securities Company.

J. L. Fallon Co. Formed

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James L. Fallon is engaging in a securities business from offices at 7805 Sunset Boulevard under the firm name of The James L. Fallon Co.

Continued from page 5

The State of Trade and Industry

would mean that consumption for highway construction should reach 2,600,000 tons as against 2,300,000 in 1957.

Manufacturers' durable goods inventories, even after a four-month trimming, were higher in relation to sales at the end of February than at any time in either the 1948-49 or the 1953-54 recession, the United States Department of Commerce reported.

They were also higher, in relation to sales, than they were before the cutting began last November. While declining, inventories have not fallen as rapidly as sales.

The report covered all types of manufacturing, but the spotlight was on durable goods, focal point of today's inventory indigestion—and unemployment upset.

At $30,200,000,000 at the end of February, with seasonal adjustment, manufacturer durable inventories compared with $30,600,000,000 a month earlier and $31,200,000,000 at February's close last year. Sales, reported at $12,000,000,000 for February, were down from $12,600,000,000 a month earlier and $14,300,000,000 in February of 1957.

In the automotive industry, one-third of the nation's assembly plants were closed entirely last week, dropping passenger car output 29.3% under the previous week to the lowest point in six months.

"Ward's Automotive Reports" noted the closing of 18 United States assembly plants of General Motors, Ford and Chrysler the past week in 10 states dropped auto output to 66,322 units from 93,344 in the preceding week. It attributed the closings to adjustment of new car inventories and predicted an upturn for this week as the industry continues its "off again, on again" pattern of weekly production scheduling.

Truck manufacturing of 16,932 units last week fared better, dipping only 4.1% under the prior week, but still ran 29% below the same week of last year.

The statistical agency said the industry's Jan. 1 to April 5 car and truck output is 689,000 units below the year ago period and forecast output in entire 1958 will run nearly 1,000,000 to 2,000,000 units under 1957.

"Ward's" said Michigan absorbed the bulk of last week's factory close-downs, accounting for five of the 18 plants; two each were recorded for New Jersey, Georgia, California and Texas and one each in Minnesota, Missouri, Kansas, Delaware and Virginia. The shutdowns centered around Buick, Oldsmobile, Pontiac, Ford, Mercury, Dodge and De Soto.

The reporting service counted United States March output at 357,049 cars and 71,385 trucks, giving first quarter (January-March) totals of 1,238,710 and 226,105 respectively. It commented that April operations undoubtedly will run below March and under the 365,000 completions scheduled for this month.

Chevrolet and American Motors continue to report the steadiest rate of weekly production, "Ward's" added.

Steel Production Expected to Drop Fractionally to 48.4% of Ingot Capacity

Cutbacks suggest that steel production has not hit bottom yet, but a survey of buyers of industrial components shows there is room for guarded optimism, "Steel" magazine reported on Monday last.

Cutbacks and the observance of Good Friday caused steelmaking operations last week to drop 2 points to 48.5% of capacity, a new low in the current recession. Production was 1,298,000 net tons of steel ingot and castings.

Reflecting sluggish steel mill operations, "Steel's" price composite on the prime grade of steelmaking scrap slipped 17 cents. It now stands at $34.33 a gross ton.

The metalworking weekly's quarterly survey of component inventories shows that buyers have worked stocks down to the level of current usage. They are not likely to build inventories during the second quarter, but, they will buy for replacement.

Four or five months will elapse before buildups will begin, since inventories are backed up all along the line. Manufacturers of parts have big stocks of finished goods and mills have plenty of semi-finished steel.

Other favorable indicators show that construction is picking up, influenced by step-up of work on the St. Lawrence Seaway and in needs for state highway building programs. Tin plate operations are running at 80% of capacity, topping all other products in demand. A railroad is taking bids for $12,000,000 worth of equipment.

Less encouraging is the news that two large makers of household appliances plan production cutbacks.

Another discouraging development reveals that the sales squeeze continues in the automotive industry and may wash out the Edsel sales and dealer organization.

Ford middle management people report that Edsel has 90 days to produce or the line will be absorbed by either Ford or Mercury dealers, depending on which group needs the sales appeal an extra car may offer. Many Edsel dealers will have a chance to switch to Ford or Mercury.

On the plus side "Steel's" report on missiles says the Pentagon will spend about $3,000,000,000 on "birds" in 1958. Spending in the 1958-1960 period will approach $13,000,000,000.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *81.3% of steel capacity for the week beginning April 7, 1958, equivalent to 1,306,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of *81.7% of capacity, and 1,312,000 tons a week ago.

Output for the week beginning April 7, 1958 is equal to about 48.4% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 48.6% the week before.

For the like week a month ago the rate was *91.1% and production 1,463,000 tons. A year ago, the actual weekly production was placed at 2,310,000 tons, or 143.8%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Turned Sharply Lower in Pre-Easter Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday April 5, 1958, was estimated at 11,326,000,000 kwh., according to the Edison Electric Institute. Output registered further declines in the week immediately preceding Easter week.

For the week ended April 5, 1958, output decreased by 319,000,000 kwh. below that of the previous week and 367,000,000 kwh. or 3.1% below that of the comparable 1957 week, but increased 480,000,000 kwh. above that of the week ended April 7, 1956.

Car Loadings Dipped 0.2% in Latest Week and 23.4% Below a Year Ago

Loadings of revenue freight for the week ended March 29, 1958, were 847 cars or 0.2% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended March 29, 1958, totaled 532,172 cars, a decrease of 162,750 cars or 23.4% below the corresponding 1957 week, and a decrease of 192,796 cars, or 26.6% below the corresponding week in 1956.

Automotive Output the Past Week Declined 29.3% Below the Previous Week—Setting a Six Month Low Record

Automotive production for the week ended April 4, 1958, according to "Ward's Automotive Reports," dropped 29.3% under the preceding week, touching the lowest point in six months. The decline was occasioned in the main by the closing of one-third of the nation's assembly plants.

Last week's car output totaled 66,322 units and compared with 93,344 (revised) in the previous week. The past week's production total of cars and trucks amounted to 83,254 units, or a decrease of 28,255 units under that of the previous week's output, states "Ward's."

Last week's output declined below that of the previous week by 27,522 cars, while truck output eased by 733 vehicles during the week. In the corresponding week last year 130,318 cars and 23,896 trucks were assembled.

Last week the agency reported there were 16,932 trucks made in the United States. This compared with 17,665 in the previous week and 23,896 a year ago.

Canadian output last week was placed at 5,754 cars and 992 trucks. In the previous week Dominion plants built 7,614 cars and 1,345 trucks and for the comparable 1957 week 9,020 cars and 1,891 trucks.

Lumber Shipments Increased 4.7% Above Output in Week Ended March 29, 1958

Lumber shipments of 487 reporting mills in the week ended March 29, 1958, were 4.7% above production, according to the National Lumber Trade Barometer. In the same period new orders were 5.6% above production. Unfilled orders amounted to 30% of stocks. Production was 1.0% above; shipments 10.5% above and new orders were 0.4% above the previous week and 18.2% below the like week in 1957.

Business Failures Rose Last Week and Sharply Exceeded Year Ago Level

Commercial and industrial failures rebounded to 352 in the week ended April 3 from 327 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were half again as heavy as in the comparable week last year when 231 occurred and they exceeded noticeably the 217 in 1956. Continuing above the prewar level, 19% more businesses failed than the 295 in the similar week of 1939.

Casualties involving liabilities of $5,000 or more rose to 306 from 287 in the previous week and 204 in the corresponding week a year ago. An increase also appeared among small failures, under $5,000, which edged to 46 from 40 and exceeded considerably the 27 of this size last year. Forty of the failing concerns had liabilities in excess of $100,000 as compared with 37 in the preceding week.

Although neither manufacturers nor wholesalers suffered as many failures as last week, the retailing total climbed to 176 from 158, construction to 51 from 42 and commercial service to 37 from 19. The contrasting declines brought manufacturing down to 58 from 69 and wholesaling to 30 from 39. More casualties occurred than a year ago in all lines. In fact, increases from 1957 ranged above 50% in manufacturing and trade, while construction showed the mildest increase, 34%.

Geographically, the week's rise was concentrated in the Pacific States, up to 79 from 64, the West North Central, up to 16 from 6 and the West South Central up to 28 from 10. Four regions reported slight dips, including the Middle Atlantic States where the total was down to 101 from 109 and the East North Central States, off to 65 from 67. Casualties held steady in two areas, the East South Central and Mountain States. In all regions, failures exceeded last year's level, with twice as many concerns succumbing as a year ago in both the East North Central and West South Central States.

Wholesale Food Price Index Moved Lower the Past Week

The Dun & Bradstreet wholesale food price index dropped 1.5% from last week's $6.70 to stand at $6.60 on April 1. Compared to April 2, 1957, however, when the figure was $6.17, the current index shows a gain of 7.0%.

Higher in price last week were flour, wheat, barley, potatoes, oats, corn and sugar. Down in price were cheese, butter, lard, eggs, coffee, cocoa, rye, steers, hogs, bellies and hams.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief

function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Set New 1958 High in Latest Week

Price increases on livestock, some grains and lard helped boost the general commodity price level during the week to the highest point this year so far. On March 25 the Dun & Bradstreet daily wholesale commodity price index hit 282.33 the 1958 record. The previous high was reached on March 10 when the index was 282.10. It stood at 279.73 on March 31, compared with 281.96 a week earlier and 287.67 a year ago.

Although large receipts at the beginning of the week held corn prices down, buying picked up the end of the period and prices were close to those of the preceding week. Oats prices climbed moderately as purchases improved. Wheat buying sagged and stocks expanded, resulting in a price decline. There was a noticeable dip in prices of rye as transactions lagged. Although receipts rose slightly from the prior week, soybean prices held steady.

Wholesalers reported a moderate drop in flour trading last week, but prices were close to those of a week earlier. Commercial sales of flour for export amounted to 47,100,000 bushels in grain equivalent so far this season, compared with 37,200,000 for the corresponding period last year.

Rice trading slowed up somewhat during the week, reflecting the approaching end of the Lenten season, but prices were unchanged from the preceding week. Stocks were limited and whoelsalers anticipate that purchases will improve in the next few weeks.

Increased purchases boosted cocoa futures prices slightly the past week. New York warehouse stocks of cocoa rose to 159,419 bags during the week compared with 314,237 bags in the comparable week last year. United States arrivals for the season to date amounted to 1,016,693 bags as against 1,217,168 a year ago.

Coffee buying slackened somewhat during the week, but prices remained close to those of the preceding week. Volume in sugar was sluggish, but raw sugar futures prices advanced fractionally.

There was a moderate rise in the call for steers the past week and prices climbed fractionally. Cattle receipts in Chicago noticeably exceeded those of the prior week and were close to those of a year ago. A slight decline in hog prices occurred as trading slipped. Chicago wholesalers reported a fractional increase in lamb prices with volume steady. Sheep receipts fell somewhat from the prior week and more noticeably from that of a year ago.

Soil bank considerations, some limited supplies and planting delays in growing areas helped boost cotton futures prices last week on the New York Cotton Exchange. The increase in the official parity price for March was more than expected. United States exports of cotton for the period ended on Tuesday of last week were estimated at 126,000 bales compared with 150,000 in the preceding week and 260,000 in the comparable week last year. For the season through April 1, exports were estimated at 3,914,000 bales against 5,272,000 bales in the similar period a year ago.

Trade Volume Last Week Lifted Higher Due to Heavy Easter Sales

Extensive Easter sales promotions boosted retail trade over that of a week earlier and volume slightly exceeded the level of the similar 1957 week. Sales, however, were down somewhat from comparable pre-Easter week last year. Consumer buying centered primarily in women's Spring apparel and food specialties, while interest in furniture, major appliances and housewares slipped from the prior week. Spot checks indicate that volume in new passenger cars continued to lag behind a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc., indicate. Regional estimates varied from the comparable 1957 levels by the following percentages: Middle Atlantic and South Atlantic States +2 to +6%; New England +1 to +5; East South Central 0 to +4; East North Central —1 to +3; West North Central —2 to +2; Mountain and Pacific Coast —3 to +1 and West South Central States —5 to —1%.

Apparel retailers reported substantial year-to-year increases in sales of women's fashion accessories, millinery, dresses, coats and suits. Although purchases of suits, dress shirts and neckwear climbed noticeably over a week earlier, overall volume in men's apparel fell slightly below a year ago. There were appreciable gains from last year in the buying of boys' and girls' clothing.

Despite numerous sales promotions in many regions, interest in household goods slackened, a usual occurrence during the Easter selling season. There was a slight rise in the call for Summer outdoor furniture, but total furniture sales were down from both the prior week and a year ago. Noticeable year-to-year declines prevailed in sales of major appliances, linens, floor coverings and draperies.

Shoppers increased their buying of candy, baker goods and dairy products during the week. Interest in fresh meat, canned goods and frozen foods was high and steady.

The most noticeable increases over last year in sales of women's apparel occurred in New York and Chicago. Contrary to the national trend sales of men's apparel in Boston were substantially higher than a year ago.

Apparel buyers somewhat stepped up their orders for women's Summer dresses and sportswear last week. Volume in sweaters, blouses and beachwear improved slightly. There were some scattered re-orders for Spring fashion accessories and dresses. Wholesalers reported that interest in men's lightweight suits and furnishings was sustained at the level of the prior week.

A moderate rise in trading in print cloths and sateens helped boost overall transactions in cotton gray goods during the week. Volume in woolens and worsteds was unchanged from a week earlier, while the call for carpet wool in Boston and Philadelphia markets slipped again. Dyeing and finishings plants in the mid-Atlantic States reported a fractional gain in incoming orders.

Except for juvenile lines, volume at the Boston Furniture Show slackened at the end of the week with orders down from last year. A moderate rise occurred in purchases of air conditioners and fans, but volume in major appliances and television sets continued to lag. Interest in hardware, building materials and paints heightened during the week, but volume was slightly less than a year ago.

Another rise in sales of canned fish and citrus juices occurred. Wholesale stocks showed a moderate reduction. There was an upsurge in the buying of frozen foods, while interest in dairy products and fresh produce remained close to that of the prior week. Meat wholesalers reported appreciable gains in orders for beef and pork.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 29, 1958, increased 2% above the like period last year. In the preceding week March 22, 1958 a decrease of 4% was reported. For the four weeks ended March 29, 1958 an increase of 1% was reported. For the period Jan. 1, 1958 to March 29, 1958 a decrease of 2% was recorded below that of 1957.

Retail trade sales volume in New York City the past week advanced from 5% to 10% over the similar week a year ago, at which time Easter was still two weeks ago away, trade observers report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 29, 1958 rose 11% above that of the like period last year. In the preceding week, March 22, 1958 a decrease of 6% was reported. For the four weeks ended March 29, 1958, an increase of 7% was registered. For the period Jan. 1, 1958 to March 29, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

Continued from page 14

Short-Lived and Long-Run Factors Affecting the Business Outlook

as a basis for projecting the rate of business activity it injects increased hazards in the forecast by assuming the basic conditions to be the same in each successive downturn. This is not always so, as certain underlying causes of the 1958 business fluctuations differ from those of the previous lows of the past decade. For this reason, basic factors on both the "bull" and "bear" sides of the business picture must be studied.

Consumer Credit

In November, 1957, the amount of consumer credit outstanding in the United States was 43.5 billion dollars, a record high to that date. In the recession period of 1949 it was 17.3 billion and in 1954 it was 32.3 billion dollars. In the 3½ years to the present time outstanding consumer credit has increased by approximately 35%. This accumulation of debt will tend to prolong the present recession while consumers reduce their credit obligations.

Consumer credit outstanding increased 6.4 billion dollars from 1954 to 1955. The next year the increase was 3.4 billion dollars. However, from 1956 to 1957 (average of the first 11 months of 1957) consumer credit outstanding increased less than one-tenth of one billion dollars. By 1956 consumers apparently had committed themselves to about as much outstanding debt as they felt was wise. This put sales to consumers more nearly on a cash basis; that is, additional installment commitments and increases in open-account credit became approximately equal to the rate of repayment on outstanding loans.

Residential Construction

The backlog of residential and other construction had a stabilizing effect on earlier post-World War II recessions. In 1954 the value of residential construction contracts awarded was a record high to that date, with an index of 232 based on the 1947-1949 average of 100. This volume of construction tended to soften the recession of 1953-1954.

In 1955 the residential construction index moved to 280, an all-time high for this country. It is now showing a downward direction instead of moving upward as it did in 1954. In 1956 the rate dropped to 271. Figures for 1957, when available, possibly will show a drop of 255 or less. **This constitutes a basic element of weakness in the present business situation.**

This decline in residential construction immediately suggests a point for stimulating business through easier home-mortgage financing and possibly through slum-clearance projects. The impact of the World War II "baby crop", as well as the population increase of about 3 million per year, ultimately will bolster the demand for homes, but the increase may not be substantial for a few years.

Auto Production

Automobile production in 1955 was at an index of 190, which was 90% above the 1947-1949 level of output. In 1956 it had dropped to 138% of the same base. For the first 11 months of 1957, automobile production averaged 46% above the 1947-1949 average but it has dropped considerably since that time. **Continued weakness in this field will tend to prolong the present recession.**

In the nonresidential construction field, data through 1957 provide a degree of encouragement that is not shown in residential construction or in automobile production. The dollar value of nonresidential construction contracts awarded has increased every year since 1944. The index based on 1947-1949 as 100 shows the rates through the period 1952-1956 to be 183, 201, 204, 248, and 266, respectively. The first 10 months of 1957 averaged 272.

This construction provides an element of strength again in this recession, as it did in both earlier postwar recessions. However, it does not have the reinforcing strength typical of brisk residential construction and automobile output.

The fact that nonresidential construction was exceedingly high in 1957, however, may make this activity more vulnerable to contraction if the present recession persists beyond the summer of 1958. This index of nonresidential construction not only shows the rate at which new factories are built but also reflects the demand for machinery and equipment needed for the businesses located in the new buildings.

Leveling Off by Last Quarter

It appears that the present recession may level off some during the late summer or early fall of 1958, if the pattern follows that of earlier postwar recessions. However, reference to the accompanying chart shows that a leveling of production at some figure—for example, at an index of 130—would still leave the United States with a rate of production above that of the World War II peak and above all peaks since the war except that of 1953. If the leveling occurred at 120, the contraction in output would be more severe in relation to the amount of decline below the postwar trend than occurred in 1949, 1952, or 1954. Still, it would not mean that we were experiencing another 1932-1933 trough.

Regardless of the low point in the present recession, a mere leveling of the rate of industrial production would still show a continuing weakness in relation to the upward trend of the past decade. For a trough to be passed, an upward direction of rate of output would be necessary, and at a rate upward that was greater than that of the postwar growth trend. If that happens, recovery will be under way.

Sideways Trend Until Spring of 1959

Assuming that the late summer or fall of 1958 shows stabilization of the rate of industrial production, it is possible that a "sideways" movement may persist until the spring of 1959. When residential construction starts expanding and when automobile output increases, conditions should show recovery in relation to the trend. These two factors, in particular, may be watched as measures of increased output that are responding to increased consumer purchasing power. When these two series move upward many other series will also probably be moving upward and recovery will be in sight or taking place.

It must not be forgotten that government programs designed to assist economic recovery have an impact on any projection of business activity, and this fact forces continual re-evaluation of business forecasts. There is at present a favorable emotional response to the spending proposals made in Washington, but the inevitable time lag of months or years in planning and carrying them out will postpone the date in which their impact will be felt in increased purchasing power.

The multitude of other political and economic forces brought to bear on our economy also point up the need for a continuing re-evaluation of both short-lived and long-run factors which affect our business outlook.

Two With C. M. Hathaway

(Special to The Financial Chronicle)

DENVER, Colo.—Richard Perry and Henry Stark, Jr. are now with C. M. Hathaway Company, 1575 Sherman.

With Inv. Service Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Theodore R. Llewellyn is now connected with Investment Service Co., First National Bank Building.

Joins Merrill Lynch

(Special to The Financial Chronicle)

DENVER, Colo.—Irwin Pepper has joined the staff of Merrill Lynch, Pierce, Fenner & Smith, First National Bank Building.

With Mountain States

(Special to The Financial Chronicle)

DENVER, Colo. — Bernard L. Stebenne has been added to the staff of Mountain States Securities Corporation, Denver Club Building.

With Watling, Lerchen

(Special to The Financial Chronicle)

DETROIT, Mich. — Lester D. Everett is now connected with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Joins Bache Staff

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Otto P. Schram has joined the staff of Bache & Co., 1000 Baltimore Ave.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Adams Engineering Co., Inc. (4/21-25)
April 1 filed $2,000,000 of 6½% convertible sinking fund debentures, due 1968, and 250,000 outstanding shares of class A common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** — From debentures—to retire indebtedness due on first mortgage on plant and equipment and to repay other debt; and for new construction, equipment, and other corporate purposes. The shares of common stock are to be sold for selling stockholders. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Aeronca Manufacturing Corp.
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To go to selling stockholder. **Office**—Germantown Road, Middletown, Ohio. **Underwriter**—Greene & Ladd, Middletown, Ohio.

★ Allis (Louis) Co.
March 27 (letter of notification) a maximum of 6,005 shares of common stock (par $10) to be offered to selected employees. **Price**—At the mean of the bid and ask prices on the over-the-counter market on the latest trading day preceding the day of subscriptions by the employees. **Proceeds**—To purchase the securities off the market. **Office**—427 E. Stewart St., Milwaukee 7, Wis. **Underwriter**—None.

Aluminum Co. of America (4/11)
March 14 filed $125,000,000 of sinking fund debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—The First Boston Corp., New York.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

★ Ampco Mfg. Co.
March 31 (letter of notification) $275,000 of 10-year 7% convertible debentures due May 1, 1968 and 27,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit, plus accrued interest on the debentures. **Proceeds**—To increase working capital; relocation for a new plant; leasehold improvement and security deposits. **Office**—9 River Road, Morristown, N. J. **Business**—Manufacture of electronic electric equipment and components. **Underwriter**—Cortlandt Investing Corp., New York, N. Y.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ Arnold, Hoffman & Co., Inc.
March 28 (letter of notification) 20,697 shares of common stock (par $10) to be offered to stockholders at the rate of one new share for each share held of record April 22, 1958. **Price** — $12.50 per share. **Proceeds**—To New York Life Insurance Co. and for working capital. **Office**—55 Canal St., Providence, R. I. **Underwriter**—None.

• Atlantic City Electric Co. (4/22)
March 19 filed $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Drexel & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lee Higginson Corp.; Kuhn, Loeb & Co.; American Securities Corp. and Wood, Struthers & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 22.

Atlantic City Electric Co. (4/16)
March 19 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—Eastman Dillon, Union Securities & Co. and Smith, Barney & Co., both of New York.

Atlantic City Electric Co. (4/16)
March 19 filed 120,000 shares of common stock (par $6.50). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Eastman Dillon, Union Securities & Co. and Smith, Barney & Co., both of New York.

Australia (Commonwealth of) (4/22)
April 3 filed $25,000,000 of 15-year bonds due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To finance various public works projects. **Underwriter**—Morgan Stanley & Co., New York.

• Avionics Corp. of America (4/14-18)
March 14 (letter of notification) 99,125 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For repayment of construction loan and for working capital. **Office**—Belfield & Wister Sts., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., New York, N. Y.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp. (4/17)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Belgian Congo (4/16)
March 27 filed $15,000,000 of 15-year external loan bonds due April 1, 1973. **Price** — To be supplied by amendment. **Proceeds** — For construction of buildings and facilities. **Underwriter** — Dillon, Read & Co., Inc., New York.

Bishop Oil Co., San Francisco, Calif.
Feb. 27 filed 112,565 shares of common stock (par $2) to be offered for subscription by common stockholders on the basis of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For reduction of bank loans, expansion and general corporate purposes. **Underwriter**—Hooker & Fay, San Francisco, Calif. **Offering**—Has been deferred.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

Brunswick-Balke-Collender Co.
March 11 filed $8,593,200 of 15-year 4¾% convertible subordinate debentures due April 1, 1973, being offered for subscription by common stockholders of record April 2, 1958 at the rate of $100 of debentures for each 18 shares of stock held; rights to expire on April 16. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

★ Builders Loans Inc. (4/11)
March 27 (letter of notification) 40,000 shares of 17½c preferred stock (par $1). **Price**—$2.50 per share. **Proceeds** — To selling stockholder. **Office** — Los Angeles, Calif. **Underwriter**—Daniel D. Weston & Co., Inc., Beverly Hills, Calif.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

• Central Hudson Gas & Electric Corp. (5/6)
April 1 filed $18,000,000 of first mortgage bonds, due 1988. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term notes and for new construction. **Underwriter** — To be named by amendment (probably Kidder, Peabody & Co., New York).

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite. Statement effective March 12.

★ Chemical Fund, Inc., New York
April 8 filed (by amendment) an additional 1,000,000 shares of capital stock (par 50 cents). **Price**—At market. **Proceeds**—For investment.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commonwealth Edison Co. (4/15)
March 20 filed $50,000,000 of first mortgage bonds, series T, due March 1, 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids**—To be received up to 10:30 a.m. (CST) on April 15 at 72 West Adams St., Chicago 90, Ill.

• Consolidated Edison Co. of N. Y., Inc. (6/3)
March 3 filed $50,000,000 of first and refunding mortgage bonds, series O, due June 1, 1988. **Proceeds**—To retire short-term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received by company up to 11 a.m. (EDT) on June 3.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cubacor Explorers, Ltd.
Oct. 28 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price**—50 cents per share-U. S. funds. **Proceeds** — For exploration and drilling costs. **Office** — Suite 607, 320 Bay St., Toronto, Ont., Canada. **Underwriter**—Stratford Securities Co., Inc., 135 Broadway, New York. **Offering**—Postponed indefinitely.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

★ Cutter Laboratories, California
April 1 (letter of notification) 35,200 shares of common stock (par $1). **Proceeds**—To selling stockholders. **Underwriters**—Blyth & Co., Inc. and Brush, Slocumb & Co. Inc., both of San Francisco, Calif.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

Diamond Gardner Corp. (4/16)
March 25 filed $25,000,000 of sinking fund debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To retire a $12,000,000 bank loan and for expansion and working capital. **Underwriter** — Blyth & Co., Inc., New York.

Diapulse Manufacturing Corp. of America
Jan. 29 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—276 Fifth Ave., New York, N. Y. **Underwriter**—None.

Digitronics Corp.
Feb. 12 (letter of notification) 140,000 shares of class B capital stock (par 10 cents). **Price** — $1.50 per share. **Proceeds**—For general corporate purposes. **Office**—Albertson Avenue, Albertson, Long Island, N. Y. **Underwriter**—Cortlandt Investing Corp., 135 Broadway, New York 6, N. Y.

• Directomat, Inc. (4/17-21)
March 17 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital and payment of current liabilities. **Office**—Hotel Roosevelt, Madison Ave. and 45th St., New York 17, N. Y. **Underwriters**—James Anthony Securities Corp. and Norton & Co. both of New York City; Schwerin, Stone & Co., Great Neck, N. Y.; and Mac Robbins & Co., Inc., Jersey City, N. J.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Indefinitely postponed. Other financing may be arranged.

★ Domestic Finance Group Inc.
April 3 (letter of notification) 30,000 shares of 70-cent cumulative preferred stock, series A. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—112A North Green St., P. O. Box 3467, Greensboro, N. C. **Underwriters**—United Securities Co., Greensboro, N. C. and McCarley & Co., Asheville, N. C.

Dresser Industries, Inc.
Feb. 28 filed 128,347 shares of common stock (par 50¢) to be offered in exchange for outstanding common stock of the Elgen Corp. on the basis of one share of Dresser Industries common for 3.4 shares of Elgen's common. No exchanges will be made unless the exchange offer is accepted by the holders of at least 80% of the outstanding Elgen common, and Dresser will not be obli-

gated to consummate any exchanges unless the offer is accepted by the holders of at least 95% of the outstanding Elgen common. **Underwriter**—None.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Ex-Cell-O Corp., Detroit, Mich.
Nov. 25 filed 88,000 shares of common stock (par $3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

Expanded Shale Products, Inc., Denver, Colo.
Jan. 29 filed 60,000 shares of common stock (par $1) and $180,000 of 6% callable unsubordinated unsecured debenture notes due 1960-1964 to be offered in units of $600 of notes and 200 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For construction of plant, working capital and other corporate purposes. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Famous Virginia Foods Corp.
Jan. 30 (letter of notification) 19,500 shares of common stock (par $5) and 390 common stock purchase warrants to be offered in units of 50 shares of stock and one warrant. **Price**—$500 per unit. **Proceeds**—For equipment and working capital. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

Farrar Drilling Co.
Feb. 3 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For oil and gas drilling expenses. **Office**—316 Rogers Bldg., Mt. Vernon, Ill. **Underwriter**—Paul A. Davis & Co., Miami, Fla.

★ Federated Mortgage Corp. of Delaware
April 3 (letter of notification) $299,000 of 8% 10-year convertible subordinated debentures to be offered in denominations of $500 and $1,000. **Proceeds**—For working capital. **Office**—225 Westchester Ave., Portchester, N. Y. **Underwriter**—None.

Fidelity Bankers Life Insurance Corp., Richmond, Va.
March 7 filed 450,000 shares of common stock (par $1) to be offered for subscription by holders of outstanding stock on a pro rata basis; thereafter the balance remaining, if any, will be offered to the public. **Price**—$5 per share to stockholders; and to the public at a price to be determined. **Proceeds** — For expansion and other corporate purposes. **Underwrter**—None.

★ First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after issue in units of $100. **Price**—100% of principal amount. **Proceeds**—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. **Underwriter**—None.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

★ First Investors Corp., New York
April 4 filed (by amendment)) an additional $25,000,000 Periodic Payment Plans (DM & DMN) and Single Payment Plans (DMP). **Price**—At market. **Proceeds**—For investment.

First Leaseback Corp., Washington, D. C.
Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price** — $5 per share. **Proceeds** — To purchase properties. **Underwriter** — Whitmore, Bruce & Co., Washington, D C

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—H. Carroll & Co., Denver, Colo.; and Alfred L. Powell Co., New York.

Four Corners Oil & Gas Co., Denver, Colo. (4/21-25)
March 25 filed 400,000 shares of common stock. **Price**—$3 per share. **Proceeds**—To pay off debts and for drilling and exploration costs **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Campbell, McCarty & Co., Inc., Detroit, Mich.

Freeman Electric Construction Co., Inc.
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents) **Price**—$3 per share. **Proceeds**—To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office** — New York. **Underwriter**—Harris Securities Corp., New York City.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000 000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC

General Devices, Inc., Princeton, N. J. (4/15)
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

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NEW ISSUE CALENDAR

April 11 (Friday)

Aluminum Co. of America ____ **Debentures**
(The First Boston Corp.) $125,000,000

Builders Loans Inc. ____ **Preferred**
(Daniel D. Weston & Co., Inc.) $100,000

Central Bank & Trust Co. ____ **Common**
(Boettcher & Co.; Peters, Writer & Christensen Corp.; Bosworth, Sullivan & Co., and Garrett-Bromfield & Co.) $1,050,000

April 14 (Monday)

Avionics Corp. of America ____ **Common**
(Milton D. Blauner & Co.) $297,375

New England Telephone & Telegraph Co. ____ **Debens.**
(Bids 11:30 a.m. EST) $45,000,000

Penn Dairies, Inc. ____ **Common**
(Stroud & Co., Inc.) $168,750

April 15 (Tuesday)

Commonwealth Edison Co. ____ **Bonds**
(Bids 10:30 a.m. CST) $50,000,000

New England Electric System ____ **Common**
(Offering to stockholders—bids 11 a.m. EST) 968,549 shares

Northern Pacific Ry. ____ **Equip. Trust Ctfs.**
(Bids to be invited) about $7,600,000

April 16 (Wednesday)

Atlantic City Electric Co. ____ **Preferred**
(Eastman Dillon Union Securities & Co. and Smith, Barney & Co.) $5,000,000

Atlantic City Electric Co. ____ **Common**
Eastman Dillon Union Securities & Co. and Smith Barney & Co.) 120,000 shares

Tennessee Gas Transmission Co. ____ **Debentures**
(Stone & Webster Securities Corp., White Weld & Co. and Halsey, Stuart & Co. Inc.) $30,000,000

Traid Corp. ____ **Common**
(D. A. Lomasney & Co.) $300,000

Belgian Congo ____ **Bonds**
(Dillon, Read & Co., Inc.) $15,000,000

Diamond Gardner Corp. ____ **Debentures**
(Blyth & Co., Inc.) $25,000,000

Mississippi Power & Light Co. ____ **Bonds**
(Bids 11:30 a.m. EST) $15,000,000

Sierra Pacific Power Co. ____ **Common**
(Offering to stockholders) 57,362 shares

Smith, Kline & French Laboratories ____ **Common**
(Smith, Barney & Co.) 50,000 shares

April 17 (Thursday)

Bankers Management Corp. ____ **Common**
(McDonald, Holman & Co., Inc.) $400,000

Directomat, Inc. ____ **Common**
(James Anthony Securities Corp.; Norton & Co.; Schwerin, Stone & Co.; and MacRobbins & Co.) $300,000

April 18 (Friday)

Piedmont Natural Gas Co., Inc. ____ **Common**
(Offering to stockholders—to be underwritten by White Weld & Co.) 51,183 shares

April 21 (Monday)

Adams Engineering Co., Inc. ____ **Debentures**
(Cruttenden, Podesta & Co.) $2,000,000

Adams Engineering Co., Inc. ____ **Common**
(Cruttenden, Podesta & Co.) 250,000 shares

Four Corners Oil & Gas Co. ____ **Common**
(Paine, Webber, Jackson & Curtis, and Campbell, McCarty & Co. Inc.) $1,200,000

Industro Transistor Corp. ____ **Common**
(S. D. Fuller & Co.) 150,000 shares

Maine Fidelity Life Insurance ____ **Common**
(Offering to stockholders—to be underwritten by P. W. Brooks & Co., Inc.) 50,000 shares

Peoples Natural Gas Co. of S. C. ____ **Debs. & Com.**
(Scott, Horner & Co.) $566,250

Southern Pacific Co. ____ **Equip. Trust Ctfs.**
(Bids noon EST) $8,220,000

April 22 (Tuesday)

Atlantic City Electric Co. ____ **Bonds**
(Bids 11 a.m. EST) $10,000,000

Commonwealth of Australia ____ **Bonds**
(Morgan Stanley & Co.) $25,000,000

April 23 (Wednesday)

Lykes, Bros. Steamship Co., Inc. ____ **Common**
(Morgan Stanley & Co.) 400,000 shares

Potomac Electric Power Co. ____ **Debentures**
(Offering to stockholders—to be underwritten by Johnston, Lemon & Co., and Dillon, Read & Co. Inc.) $19,700,000

Sierra [illegible] Power Co. ____ **Bonds**
(Bids 11 a.m. EST) $3,000,000

Southern Counties Gas Co. of California ____ **Bonds**
(Bids to be invited) $15,000,000

April 24 (Thursday)

Pittsburgh & Lake Erie RR. ____ **Equip. Trust Ctfs.**
(Bids noon EST) $3,900,000

April 25 (Friday)

Technology Instrument Co. ____ **Common**
(S. D. Fuller & Co.) $2,600,000

April 28 (Monday)

Long Island Arena, Inc. ____ **Debens. & Common**
(Dunne & Co.) $750,000

Puget Sound Power & Light Co. ____ **Bonds**
(Bids noon EDT) $30,000,000

April 29 (Tuesday)

Philadelphia Electric Co. ____ **Bonds**
(Bids noon EDT) $40,000,000

April 30 (Wednesday)

Long Island Lighting Co. ____ **Common**
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.; The First Boston Corp., and W. C. Langley & Co.) 691,027 shares

Olen Co., Inc. ____ **Class A Common**
(R. S. Dickson & Co.) 100,000 shares

Texas Co. ____ **Debentures**
(Dillon, Read & Co. Inc.) $150,000,000

May 1 (Thursday)

Portland General Electric Co. ____ **Common**
(Blyth & Co., Inc.) 300,000 shares

May 6 (Tuesday)

Central Hudson Gas & Electric Corp. ____ **Bonds**
(Underwriters to be named by amendment) $18,000,000

Montreal (City of) ____ **Debentures**
(Bids to be invited) $35,000,000

New Jersey Power & Light Co. ____ **Bonds**
(Bids 11 a.m. EDT) $7,500,000

May 9 (Friday)

Wisconsin Power & Light Co. ____ **Common**
(Offering to stockholders—to be underwritten by Smith, Barney & Co. and Robert W. Baird & Co., Inc.) 241,211 shares

Wisconsin Power & Light Co. ____ **Preferred**
(Offering to stockholders—to be underwritten by Smith, Barney & Co. and Robert W. Baird & Co., Inc.) $3,000,000

May 12 (Monday)

Public Service of Oklahoma ____ **Bonds**
(Bids to be invited) $16,000,000

May 13 (Tuesday)

United Gas Improvement Co. ____ **Bonds**
(Bids to be invited) $12,000,000

May 14 (Wednesday)

Long Island Lighting Co. ____ **Bonds**
(Bids to be invited) $20,000,000

May 15 (Thursday)

One William Street, Fund, Inc. ____ **Common**
(Lehman Brothers) $37,500,000

May 19 (Monday)

Gulf States Utilities Co. ____ **Bonds**
(Bids to be invited) $20,000,000

Gulf States Utilities Co. ____ **Common**
(Bids to be invited) 240,000 shares

May 20 (Tuesday)

Illinois Power Co. ____ **Bonds**
(Bids to be invited) $25,000,000

New York Telephone Co. ____ **Bonds**
(Bids to be invited) $60,000,000

May 21 (Wednesday)

Brooklyn Union Gas Co. ____ **Bonds**
(Bids 11 a.m. EDT) $22,000,000

Public Service of Colorado ____ **Preferred**
(The First Boston Corp., Blyth & Co., Inc. and Smith Barney & Co.) $16,000,000

May 27 (Tuesday)

Appalachian Electric Power Co. ____ **Bonds**
(Bids 11 a.m. EST) $25,000,000

May 29 (Thursday)

Illinois Bell Telephone Co. ____ **Common**
(Offering to stockholders—no underwriter) $87,079,200

June 3 (Tuesday)

Consolidated Edison Co. of N. Y. Inc. ____ **Bonds**
(Bids 11 a.m. EST) $50,000,000

June 10 (Tuesday)

Virginia Electric & Power Co. ____ **Bonds or Debs.**
(Bids to be invited) $25,000,000

June 11 (Wednesday)

New England Power Co. ____ **Bonds**
(Bids to be invited) $10 000,000

June 17 (Tuesday)

Community Public Service Co. ____ **Debentures**
(Bids to be invited) $3,000,000

Oklahoma Gas & Electric Co. ____ **Bonds**
(Bids to be invited) $15,000,000

Public Service Electric & Gas Co. ____ **Debentures**
(Bids to be invited)

July 1 (Tuesday)

Florida Power Corp. ____ **Bonds**
(Bids to be invited) $25,000,000

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General Electronics Distributors Inc.
Feb. 10 (letter of notification) 2,090 shares of common stock (par $25) to be offered to stockholders until May, 1958, then to the public. **Price**—$42 per share. **Proceeds**—For loans payable to bank, inventory and working capital. **Office**—735 Main Street, Wheeling, W. Va. **Underwriter**—None.

★ General Motors Corp.
April 9 filed 1,850,000 shares of common stock (par $1.66⅔) to be offered under company's Savings-Stock Purchase Program for Salaried Employees in the United States.

• Glassheat Corp.
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1 E. 35th Street, New York 16, N. Y. **Underwriter**—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y. **Offering**—Expected in about three weeks.

Gly Inc.
March 4 (letter of notification) 300,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For acquisition, development and operation of oil and gas properties. **Office**—Bacon Bldg., 5th & Pine Sts., Abilene, Texas. **Underwriter** — Barth Thomas & Co., Inc., New York.

★ Goodyear Tire & Rubber Co.
April 8 filed 208,080 shares of common stock (par $5) being the number of common shares for which options may be granted under the company's 1956 Employee's Stock Option Plan.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. **Underwriter**—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan, to purchase equipment and machinery and for working capital. **Office**—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada. **Underwriter**—D'Amico & Co., Inc., Buffalo, N. Y.

★ Houghton Mifflin Co.
April 1 (letter of notification) 434 shares of common stock (par $100) to be offered to stockholders of record March 12, 1958. **Price**—$115 per share. **Proceeds**—To be added to the general funds of the company. **Office** — 2 Park St., Boston, Mass. **Underwriter**—None.

• Industro Transistor Corp. (N. Y.) (4/21-25)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

• Kennedy (D. S.) & Co.
March 18 filed 100,000 shares of common stock (par $1). **Price** — $14.50 per share. **Proceeds** — For working capital and capital expenditures. **Business**—Manufactures radar antenna. **Office**—Cohasset, Mass. **Underwriter**—W. C. Langley & Co., Boston and New York. **Offering**—Expected today (April 10).

Lefcourt Realty Corp., New York
Jan. 29 filed 250,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For development of property in Florida. **Underwriter**—Frank M. Cryan Co., Inc., New York

Life Insurance Securities Corp., Portland, Me.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

Linair Engineering, Inc., Inglewood, Calif.
March 24 filed $200,000 of 6% convertible subordinated debentures, due April 1, 1973, and 100,000 shares of capital stock (par $1) to be offered in units consisting of $500 of debentures and 250 shares of stock. **Price**—$750 per unit. **Proceeds**—To finance increased inventories and the cost of engineering new products, to acquire new machinery and equipment, and for working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ Long Island Arena, Inc., Commack, N. Y. (4/28)
April 7 filed $750,000 of 6% debentures due April 1, 1970, and 75,000 shares of common stock (par 10c) to be offered in units of $100 of debentures and 10 common shares. **Price** — $100 per unit. **Proceeds** — For general corporate purposes, including construction of the Arena. **Underwriter**—Dunne & Co., New York on a best-efforts basis.

★ Long Island Lighting Co. (4/30)
April 8 filed 691,027 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held on April 29, 1958. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp., and W. C. Langley & Co.

★ Long Island Lighting Co. (5/14)
April 8 filed $20,000,000 of first mortgage bonds, series J, due 1988. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); W. C. Langley & Co.; Smith, Barney & Co. **Bids**—Expected to be received on May 14.

Lorain Telephone Co., Lorain, Ohio
Dec. 13 (letter of notification) 1,785 shares of common stock (no par) being offered for subscription by common stockholders at the rate of one new share for each 62.52 shares held as of Feb. 25, 1958; rights to expire on May 1, 1958. **Price**—$28 per share. **Proceeds**—For additions and improvements. **Office** — 203 West 9th St., Lorain, Ohio. **Underwriter**—None.

Lykes Bros. Steamship Co., Inc. (4/23)
March 28 filed 400,000 shares of common stock (par $10), of which 300,000 shares are to be sold for the account of the company and 100,000 shares for three selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—To company, to help finance replacement of vessels making up its present fleet of 54 ships. **Office**—New Orleans, La. **Underwriter**—Morgan Stanley & Co., New York.

• Maine Fidelity Life Insurance Co. (4/21-25)
March 26 filed 50,000 shares of capital stock (par $4) to be offered for subscription by stockholders at the rate of one new share for each share held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Portland, Me. **Underwriter** — P. W. Brooks & Co., Inc., New York.

★ Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ Mayflower Finance Co.
March 31 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase additional sales contracts. **Office**—316 North 5th St., Las Vegas, Nev. **Underwriter**—None.

Merrimack-Essex Electric Co.
Feb. 11 filed $20,000,000 of first mortgage bonds, series C, due 1988. **Proceeds**—Together with other funds, to redeem a like amount of 5⅝% series B bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co., (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith, and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Which were to have been received on March 10 at 441 Stuart St., Boston 16, Mass., have been indefinitely postponed.

Mineral Basin Mining Corp.
Dec. 30 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 par value). **Proceeds** — For mining expenses. **Office** — 1710 Hoge Bldg., Seattle 4, Wash. **Underwriter**—None.

Mississippi Power & Light Co. (4/16)
March 5 filed $15,000,000 of first mortgage bonds due 1988. **Proceeds**—For property additions and improvements, to pay off bank loans, and other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith, Eastman Dillon, Union Securities & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Bids** — To be received up to 11:30 a.m. (EST) on April 16 at Two Rector St., New York, N. Y.

★ Mobile Credit Corp.
March 20 (letter of notification) 2,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — For working capital. **Office**—11746 Appleton Ave., Detroit 39, Mich. **Underwriter**—None.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York

National Manganese Co., Newcastle, Pa.
March 21 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Underwriter**—Johnson & Johnson, Pittsburgh, Pa.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Temporarily postponed.

★ Navarre-500 Building Associates, New York
April 3 filed 638 participations in partnership interests. **Price**—$5,000 per unit. **Proceeds**—To purchase leasehold. **Underwriter**—None.

Nebraska Consolidated Mills Co.
Feb. 6 (letter of notification) 25,000 shares of common stock to be offered to stockholders at the rate of one new share for each 16 shares held. Rights will expire March 15, 1958. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 1521 North 16th St., Omaha 10, Neb. **Underwriter** — None.

New England Electric System (4/15)
March 14 filed 968,549 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 12 shares held as of April 15, 1958; rights to expire on April 30, 1958. Subscription warrants will be mailed on April 16. Unsubscribed shares to be offered to employees under a 1958 employee share purchase plan. **Proceeds** — For construction and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co., and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. Inc., and White, Weld & Co. (jointly); Blyth & Co. Inc., Lehman Brothers, and Bear, Stearns & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 15 at 441 Stuart St., Boston 16, Mass.

New England Telephone & Telegraph Co. (4/14)
March 20 filed $45,000,000 of 35-year debentures, due April 1, 1993. **Proceeds**—To redeem $35,000,000 of 4¾% debentures due 1986 and to repay advances from American Telephone & Telegraph Co. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11:30 a.m. (EST) on April 14 at Room 2315, 195 Broadway, New York, N. Y.

New Jersey Bell Telephone Co.
Feb. 28 filed $30,000,000 of 35-year debentures due April 1, 1993. **Proceeds**—To redeem a like amount of 4⅞% debentures due 1993 on or about April 28. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—Were to have been received up to 11 a.m. (EST) on March 25, at Room 2315, 195 Broadway, New York, N. Y. **Offering**—Postponed indefinitely.

New Jersey Power & Light Co. (5/6)
March 31 filed $7,500,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers, and Salomon Bros. & Hutzler (jointly); Eastman, Dillon, Union Securities & Co., and White Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith; Equitable Securities Corp. **Bids**—Expected to be received up to 11 a.m., (EDT) on May 6—at the offices of General Public Utilities Corp., 67 Broad St., New York, N. Y.

Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

Nortex Associates Inc., Dallas, Texas
Feb. 17 filed $2,000,000 of participating interests in 1958 oil and gas exploration program. Interests are to be offered for public sale in $10,000 units. **Proceeds**—For exploration and development of gas and oil properties. **Underwriter**—None.

★ Northern Natural Gas Co., Omaha, Neb.
April 4 filed 400,000 shares of common stock (par $10) to be offered for subscription by employees of the company and its subsidiaries under Northern's Employees Stock Purchase Plan, its Payroll-Savings-Stock Purchase Plan, and its Stock Option Plan for key employees.

Northwest Bancorporation
March 6 filed 106,430 shares of 4.50% convertible preferred stock (par $100) being offered for subscription by common stockholders of record on March 27, 1958, at the rate of one preferred share for each 16 common shares held; rights to expire on April 14. **Price**—At par (flat). **Proceeds** — Approximately $7,000,000 to be invested in three major affiliates and the balance for working capital and other corporate purposes. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offer-**

ing—Temporarily postponed because of market conditions.

★ Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc.
Nov. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and mineral properties. **Office**—208 Wright Bldg., Tulsa, Okla. **Underwriter**—Universal Securities Co., 201 Enterprise Bldg., Tulsa 3, Okla.

★ Olen Co., Inc., Mobile, Ala. (4/30)
April 1 filed 100,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce short term trade obligations, to finance the opening of new units and to increase inventories. **Business**—Retail stores. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.

★ 122 East 66th Street, Inc.
April 4 (letter of notification) $100,000 of 3½% 15-year bonds are to be offered in units of $100, $500 and $1,000 only to members of the Cosmopolitan Club. **Price**—At par. **Proceeds**—To remodel certain portions of the clubhouse. **Underwriter**—None.

★ One William Street Fund, Inc. (5/15)
April 7 filed 3,000,000 shares of capital stock (par $1). **Price** — $12.50 per share. **Proceeds** — For investment. **Business** — To become open-end company following termination of this offering. **Underwriter** — Lehman Brothers, New York.

★ Osborne Electronic Sales Corp.
March 31 (letter of notification) 9,680 shares of common stock (no par) of which 8,580 shares are to be offered by the company and 1,100 shares by a selling stockholder. Of the 8,580 shares, 2,000 shares will be offered to employees. **Price**—To public $20 per share; to employees, $17 per share. **Proceeds**—To increase cash reserves and for retirement of current and long term debt. **Office**—712 S. E. Hawthorne Blvd., Portland 14, Ore. **Underwriter**—None.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963 to be offered in two types: (a) interest-bearing notes with interest payable at the rate of 5% and at an offering price of 100% of principal amount; and (b) capital-appreciation notes, at a discount from maturity value so as to yield 5% compounded semi-annually. **Proceeds**—For making investments and loans in companies or enterprises that the corporation is already financially interested in, or for other corporate purposes. **Underwriter**—None.

Pecos Valley Land Co., Carlsbad, N. Mex.
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas.

Penn Dairies Inc. (4/14)
March 25 (letter of notification) 50,000 shares class A non-voting common stock (par $5). **Price**—$3.37½ per share. **Proceeds**—To selling stockholders. **Office**—572 N. Queen St., Lancaster, Pa. **Underwriter** — Stroud & Co., Inc., Philadelphia, Pa.

● Peoples Natural Gas Co. of So. Carol. (4/21-25)
March 31 filed $375,000 of 20-year 7% debentures due 1978 and 45,000 shares of common stock (par $1) to be offered in units of $25 of debentures and three shares of stock. **Price**—$37.75 per unit. **Proceeds** — To repay notes and 5% mortgage bonds, for construction, and other corporate purposes. **Office**—Florence, N. C. **Underwriter**—Scott, Horner & Co., Lynchburg, Va.

Peoples Protective Life Insurance, Co.
March 27 filed 310,000 shares of common stock (par $1), consisting of 62,000 shares of class A-voting stock and 248,000 shares of class B-non-voting stock to be offered in units consisting of one class A and four class B shares. **Price** — $75 per unit. **Proceeds** — For working capital and for development of district offices in the states where the company is currently licensed to do business. **Office**—Jackson, Tenn. **Underwriter**—None. R. B. Smith, Jr., is President and Board Chairman.

★ Peoples Securities Corp., New York
April 4 filed $2,000,000 of Paid-Up Programs and $4,000,000 of Systematic Investment Programs and Systematic Investment Programs with Insurance Protection. **Proceeds** — For investment. **Sponsor**—Peoples Planning Corp. of America, New York.

★ Philadelphia Electric Co. (4/29)
April 3 filed $40,000,000 of first and refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received up to noon (EDT) on April 29.

● Piedmont Natural Gas Co., Inc. (4/18)
March 26 filed 51,183 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held on or about April 18, 1958 (with an oversubscription privilege); rights to expire on or about May 2, 1958. **Price** — To be supplied by amendment. **Proceeds**—Together with funds from private sale of $3,500,000 5½% first mortgage bonds due Feb. 1, 1983, to be used to repay bank loans and to finance construction program. **Underwriter**—White, Weld & Co., New York.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah **Underwriter**—Steven Randall & Co., Inc., New York.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

★ Potomac Electric Power Co. (4/23)
April 4 filed $19,700,000 of convertible debentures due May 1, 1973 to be offered for subscription by common stockholders of record April 22, 1958 on the basis of $100 of debentures for each 30 shares held; rights to expire on May 6, 1958. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—Dillon, Read & Co. Inc., New York, and Johnston, Lemon & Co., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

Puget Sound Power & Light Co. (4/28)
March 21 filed $30,000,000 of first mortgage bonds due May 1, 1988. **Proceeds**—To redeem $20,000,000 of 6¼% first mortgage bonds due 1987 and to retire bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—To be received at 90 Broad St., New York, N. Y., up to noon (EDT) on April 28.

★ Quimby & Co., Inc., Rochester, N. Y.
April 7 filed (by amendment) an additional $1,000,000 Quimby Plans for Accumulation of common stock of Eastman Kodak Co.

★ Regiscope Co. of Colorado, Inc.
March 31 (letter of notification) 2,000 shares of 6% cumulative preferred stock, series A (par $40) and 10,000 shares of common stock (par $1) to be offered in units of two shares of preferred and 10 shares of common stock (par $1). **Price**—$100 per unit. **Proceeds**—To refund bank loans and for working capital. **Office**—1628 Seventeenth St., Denver 2, Colo. **Underwriter**—None.

Resolite Corp., Zelienople, Pa.
March 4 (letter of notification) 20,000 shares of common stock (no par) to be offered pro-rata to stockholders, then to the public. **Price**—$7.50 per share. **Proceeds**—To pay notes payable and bank loans and for working capital. **Underwriter**—None.

Richfield Oil Corp.
March 6 filed $50,000,000 of 4⅜% convertible subordinated debentures, due April 15, 1983, being offered for subscription by common stockholders of record Mar. 25, 1958 at the rate of $100 principal amount of debentures for each eight shares held; rights to expire on April 14. **Price**—100% of principal amount (flat). **Proceeds**—For capital expenditures and other corporate purposes. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith and Blyth & Co., Inc., both of New York.

Rockcote Paint Co.
March 21 (letter of notification) 14,250 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—For preferred stock, $10.25 per share; for common stock, $8 per share. **Proceeds**—For working capital. **Office**—200 Sayre St., Rockford, Ill. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstnding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Samedan Associates, Inc., Ardmore, Okla.
March 24 filed 98,613 shares of common stock (par $10). **Price**—$14.25 per share. **Proceeds**—For working capital, acquisition, development, and exploration of oil and gas properties. **Underwriter**—None.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

★ Scout Lake Mines Inc.
March 28 (letter of notification) 275,000 shares of common stock (par 10 cents). **Price** — 20 cents per share. **Proceeds**—For mining expenses. **Address**—Route 2, Box 392 D, Bremerton, Wash. **Underwriter**—None.

Sentinel Security Life Insurance Co.
Nov. 27 filed 5,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **Underwriter**—None.

Sierra Pacific Power Co. (4/16)
March 25 filed 57,362 shares of common stock (par $7.50) to be offered for subscription by common stockholders of record April 14, 1958 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on April 30. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Kidder, Peabody & Co., New York.

Sierra Pacific Power Co., Reno, Nev. (4/23)
March 25 filed $3,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 23 at 49 Federal St., Boston, Mass.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York. **Offering** — Indefinitely postponed.

Smith, Kline & French Laboratories (4/16)
March 27 filed 50,000 shares of common stock (par 33⅓ cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Office**—Philadelphia, Pa. **Underwriter**—Smith, Barney & Co., New York.

Southern Counties Gas Co. of California (4/23)
March 26 filed $15,000,000 first mortgage bonds, series C, due 1983. **Proceeds**—To repay short-term indebtedness to Pacific Lighting Corp. and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith. **Bids**—Expected to be received up to 8:30 a.m. (PST) on April 23.

Southern Electric Steel Co.
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

★ Sovereign Investors, Inc., Philadelphia, Pa.
April 1 filed (by amendment) an additional 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

Sovereign Resources, Inc.
Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y. **Offering**—Delayed.

Springfield Fire & Marine Insurance Co.
March 28 filed 1,000,000 shares of common stock (par $2) to be offered in exchange for capital stock of Monarch Life Insurance Co. at rate of 1¼ shares of Springfield for each Monarch share. The offer will expire at 3:30 p.m. (EDT) on May 29, unless extended. **Dealer-Managers**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock. **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds** — To erect and operate one or more chemical processing plants using the Bruce-Williams Process to beneficiate manganese ores. **Underwriter** — Southwest Shares, Inc., Austin, Texas.

★ Strutwear, Inc.
March 28 (letter of notification) 105,107 shares of common stock to be offered in exchange for a like number of shares of common stock of Belvedere Hosiery Co. on a share-for-share basis. **Office** — 1015 South 6th St., Minneapolis, Minn. **Underwriter**—None.

Symington-Gould Corp., Depew, N. Y.
Feb. 28 filed 593,939 shares of common stock and 263,979 warrants to be issued in exchange for the stock of the Wayne Pump Co. under merger agreement which provides for conversion of each share of capital stock of Wayne Pump into (1) 2¼ shares of common stock of the surviving corporation to be known as Symington Wayne Corp., and (2) an option to purchase an additional share at prices commencing at $10 per share. **Underwriter**—None.

● Syntex Corp. (Republic of Panama)
July 24, 1957, filed 1,165,750 shares of common stock to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered

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to certain employees and officers. The record date for the subscription offering will be the 7th day following the effective date of the registration statement and the subscription period will be approximately 20 days. **Price**—At par ($2 per share). **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None. **Offering**—Expected in near future.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

• Technology Instrument Corp. (4/25)
March 27 filed 260,000 common shares (par $2.50) of which 204,775 shares are for account of three selling stockholders and 55,225 shares are for account of company. **Price** — $10 per share. **Proceeds** — For working capital and general corporate purposes. **Business** — Develops and manufactures precision potentiometers and other precision electronic components and measuring instruments. **Office**—Acton, Mass. **Underwriter** — S. D. Fuller & Co., New York.

Tele-Broadcasters, Inc.
March 31 (letter of notification) 40,000 shares of common stock (par five cents). **Price** — $3.25 per share. **Proceeds**—To complete the construction of Station KALI. **Office**—41 East 42nd St., New York, N. Y. **Underwriter**—Sinclair Securities Corp., New York, N. Y.

• Tennessee Gas Transmission Co. (4/16)
Feb. 26 filed $30,000,000 of debentures due May 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co., Inc., all of New York.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

★ Traid Corp. (4/16)
March 31 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—17136 Ventura Blvd., Encino, Calif. **Underwriter** — D. A. Lomasney & Co., 39 Broadway, New York 6, N. Y.

Trans-America Uranium Mining Corp.
Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trans-Cuba Oil Co., Havana, Cuba
March 28 filed 6,000,000 shares of common stock (par 10 cents) to be offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares. **Price**—50c per share. **Proceeds**—For general corporate purposes, including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

Trask Manufacturing Co.
Dec. 5 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $4.50 per share. **Proceeds** — For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter** — Selected Investments, Wilmington, N. C.

United Artists Associated Inc., New York
March 31 filed $15,000,000 of 6% subordinated sinking fund debentures, due 1963 to be offered in exchange for capital stock and warrants and debentures of Associated Artists Productions Corp.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

• Valley Farms, Inc., Denver, Colo.
Feb. 26 filed 32,000 shares each of class A, class B and class C preferred stock (par $25), and 32,000 shares of common stock (no par) to be offered in units of one share each of class A, B and C preferred and one share of common. **Price**—$100 per unit. **Proceeds**—To repay loan on real estate and for farm operating capital. **Underwriter**—Entro Corp., 812 Equitable Bldg., Denver 2, Colo., on a best-efforts basis. Statement to be withdrawn.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

West Coast Airlines, Inc., Seattle, Wash.
Feb. 12 filed $600,000 of 6% subordinated debentures due 1970, and 150,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 1, 1958, in units of $100 principal amount of debentures and 25 common shares, at rate of one unit for each 31 common shares held on the record date. **Price**—$125 per unit. **Proceeds**—To finance the acquisition of six new Fairchild F-27 "Friendship" aircraft on order for delivery during 1958, and related costs. **Underwriter**—None.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York.

Willcox & Gibbs Sewing Machine Co.
March 3 (letter of notification) 25,500 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 17 on basis of one new share for each 10 shares held. **Price**—$7.15 per share. **Proceeds**—For general corporate purposes. **Office**—214 W. 39th St., New York, N. Y. **Underwriter** — None. **Offering**—Temporarily deferred.

★ Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

Worth Fund, Inc., New York
Feb. 21 filed 400,000 shares of common stock. **Price**—$12.50 per share. **Proceeds**—For investment. **Underwriter**—Cherokee Securities Corp., 118 N. W. Broad St., Southern Pines, S. C.

Prospective Offerings

Appalachian Electric Power Co. (5/27)
Dec. 2, 1957, it was reported this company, a subsidiary of American Gas & Electric Co., plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on May 27.

Associates Investment Co.
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined) **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Expected before July 1.

Boston Edison Co.
Jan. 27 it was reported company may issue and sell in the Summer of this year some additional first mortgage bonds and preferred stock (about $25,000,000). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds to be determined by company, with prospective bidders including Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Harriman Ripley & Co. Inc. (jointly). For preferred stock, The First Boston Corp., New York.

Brooklyn Union Gas Co. (5/21)
Nov. 25, 1957, it was announced that company expects to issue and sell $22,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 21.

C. G. S. Laboratories, Inc.
March 20 it was reported that company plans to issue and sell about $500,000 of common stock. **Proceeds**—For working capital and other corporate purposes. **Business**—Electronics. **Office**—391 Ludlow St., Stamford, Conn.

California Electric Power Co.
March 10 it was reported company may issue and sell in 1958 about 450,000 additional shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: White Weld & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Carl M. Loeb, Rhoades & Co., and Bear Stearns & Co. (jointly).

• Central Bank & Trust Co., Denver, Colo. (4/11)
March 31 it was announced that the Bank plans to offer stockholders 70,000 additional shares of common stock (par $10) on a 1-for-4.714 basis to stockholders of record April 10; rights to expire on April 25. **Price**—$15 per share. **Underwriters**—Boettcher & Co.; Peters, Writer & Christensen Inc.; Bosworth, Sullivan & Co.; and Garrett-Bromfield & Co.; all of Denver, Colo.

Central Hudson Gas & Electric Corp.
Jan. 22 it was reported company plans to issue and sell $18,000,000 of first mortgage bonds (previous bond financing done privately). **Underwriter**—If sold at competitive bidding, probable bidders may include: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids**—Tentatively scheduled to be received about the middle of May.

Central Illinois Light Co.
March 27 stockholders were to vote on increasing the authorized preferred stock (par $100) from 250,000 shares to 500,000 shares. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

★ Chase Fund (Mass.)
April 7 it was announced that this Fund plans to issue and sell 1,000,000 shares of common stock. **Price**—$10 per share. **Proceeds** — For invstment. **Underwriter** — Shearson, Hammill & Co., New York. **Managers**—John P. Chase & Co., Inc., Boston, Mass. **Registration**—Expected later this month. **Offering**—Planned for sometime in May.

Chicago District Pipeline Co.
Nov. 12, 1957, it was announced company plans to sell about $5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters**—Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

Citizens & Southern National Bank of Savannah, Ga.
March 11 it was announced stockholders of record April 8, 1958 are to be given the right to subscribe for 100,000 additional shares of capital stock at the rate of one new share for each 10 shares held. **Price** — $30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell about 250,000 additional shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly). Permanent financing not expected until late in 1958 or possibly early in 1959.

Community Public Service Co. (6/17)
March 10 it was reported that this company plans to issue and sell $3,000,000 of sinking fund debentures due 1973. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on June 17. **Registration**—Expected May 15.

Consolidated Natural Gas Co.
Feb. 25 it was announced company plans to issue and sell $45,000,000 of sinking fund debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly). **Offering**—Expected in second quarter of 1958.

Consumers Power Co.
Feb. 21 Dan E. Karn, President, announced that $100,600,000 has been budgeted for expansion and improvement of service facilities during 1958. Indications are that $60,000,000 of senior securities may be involved. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). An offering of $35,156,700 of 4⅝% convertible debentures, offered to stockholders, was underwritten in October, 1957, by Morgan Stanley & Co.

Delaware Power & Light Co.
Jan. 22 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co. (jointly). **Offering**—Expected in June.

Dixon Chemical Industries, Inc.
March 10 it was reported company plans to do some financing, the type of securities to be announced later. **Proceeds**—For expansion. **Underwriter**—Harriman Ripley & Co. Inc., New York

★ Equitable Gas Co.
April 7 it was reported that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Florida Power Corp. (7/1)
Jan. 29 it was reported corporation plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Under-**

writer—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received on July 1.

Gas Service Co.
March 24 it was reported that company plans to issue some first mortgage bonds later this year. **Proceeds**—For repayment of $9,500,000 short-term notes and loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

Grace Line Inc.
March 20 it was announced by Lewis A. Lapham, President, that the company plans to issue approximately $21,000,000 of government insured bonds secured by a first preferred ship mortgage on the new "Santa Rosa" and "Santa Paula." **Underwriters** — Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**—May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

Gulf States Utilities Co. (5/19)
Jan. 29 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. **Bids** — Expected to be received on May 19.

Gulf States Utilities Co. (5/19)
Jan. 29 it was reported company plans to issue and sell 240,000 shares of common stock. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith and Lehman Brothers (jointly); Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received on May 19.

Hackensack Water Co.
March 12, George H. Buck, President, said that company plans to sell some $7,000,000 in new securities by the end of this year in the form of first mortgage bonds and preferred stock. Recent bond financing was made privately. In event of competitive bidding for bonds or debentures, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; Blyth & Co., Inc.; Drexel & Co. and Dean Witter & Co. (jointly). The First Boston Corp. and White, Weld & Co. (jointly) underwrote last common stock financing. There is no preferred stock presently outstanding.

Hawaiian Telephone Co.
March 17 it was reported company plans to offer 500,000 additional shares of common stock to stockholders. **Proceeds** — About $5,000,000, to be used for additions and improvements to property. **Underwriter**—None. **Offering**—Expected in June.

Illinois Bell Telephone Co. (5/29)
March 27 it was announced company plans to offer to its stockholders of record May 29, 1958 the right to subscribe for 870,792 additional shares of capital stock at the rate of one new share for each six shares held; rights to expire on June 30. Minority stockholders own 5,933 shares. **Price**—At par ($100 per share). **Proceeds**—For additions and improvements. **Underwriter**—None. **Registration**—Expected on May 9.

Illinois Power Co. (5/20)
Jan. 29 it was reported company plans to issue $25,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received on May 20.

Indiana Gas & Water Co., Inc.
March 25 it was announced that the company plans to issue and sell $3,000,000 of first mortgage bonds. May be placed privately. **Proceeds**—To repay bank loans and for new construction.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp. **Registration**—Expected before Spring.

Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Mercantile National Bank of Miami Beach
March 19 it was announced that the bank is offering 50,000 additional shares of capital stock (par $10) to shareholders of record March 17 on the basis of one new share for each three shares held; rights will expire at 2 p.m. on April 30. **Price**—$20 per share. **Proceeds**—To increase capital and surplus.

★ **Midland Enterprises, Inc.**
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Missiles-Rockets-Jets & Automation Fund, Inc.
On Jan. 7 this new fund registered under the Investment Company Act of 1940. Plans to issue $15,000,000 common stock, of which $7,500,000 will be underwritten on a firm basis by Ira Haupt & Co. **Price**—$10. **Proceeds**—For investment. **Technological Advisors**—Include Dr. Theodore von Karman, Chairman of the advisory group for aeronautical research and development of NATO.

Montana-Dakota Utilities Co.
March 24 it was reported the company plans to issue and sell an undetermined amount of first mortgage bonds in the latter part of this year or in early 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Montreal (City of) (5/6)
March 27 it was reported an offering of $35,000,000 of debentures is planned in the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Shields & Co., Halsey, Stuart & Co., Inc., Savard & Hart, and Salomon Brothers & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co., and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on May 6. **Registration**—Planned for around April 11.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brazil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

Mountain Fuel Supply Co.
March 27 it was reported company expects to offer a debenture issue prior to July 1, 1958. **Proceeds**—Among other things, to repay $11,000,000 of bank loans. **Underwriter**—The First Boston Corp., New York.

National Distillers & Chemical Corp.
March 3 it was reported company is expected to issue and sell about $50,000,000 to $60,000,000 long-term securities. **Proceeds**—Will probably be used to repay bank loans and for new construction. **Underwriters**—Glore, Forgan & Co. and Harriman Ripley & Co. Inc., both of New York.

Naxon Telesign Corp.
March 19 it was announced by this corporation that it plans to issue and sell 120,000 shares common stock (par $1). **Price** — $5 per share. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Offering**—Expected late in April.

New England Power Co. (6/11)
March 3 it was announced this company, a subsidiary of New England Electric System, proposes to file $10,000,000 principal amount of first mortgage bonds, series H, due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith; Kidder Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Blair & Co., Inc. (jointly). **Bids**—Tentatively scheduled to be received on June 11 at 441 Stuart St., Boston 16, Mass. **Registration**—Expected early in May.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

New York Telephone Co. (5/20)
March 14 company sought approval of the New York Public Service Commission to issue and sell $60,000,000 of refunding mortgage bonds, together with 1,200,000 shares of common stock, par $100 (the latter to American Telephone & Telegraph Co.). **Proceeds**—To retire short-term bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected on May 20.

New York Telephone Co.
March 14 it was also announced company seeks approval of an issue of $70,000,000 additional refunding mortgage bonds, subject to favorable market conditions. **Proceeds**—To refund a like amount of series J 4½% bonds sold last year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Niagara Mohawk Power Co.
March 3 it was reported company may issue and sell $50,000,000 of mortgage bonds, probably this fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Northern Indiana Public Service Co.
March 12 it was announced company plans to spend an estimated $76,500,000 for construction in the years 1958-1959. Of this about $55,000,000 will be raised from sale of additional securities, the nature of which will be determined on conditions at time financing is undertaken.

Northern Pacific Ry. (4/15)
Bids are expected to be received by this company on April 15 for the purchase from it of about $7,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern States Power Co. (Minn.)
Jan. 13 it was reported that the company may be considering the issue and sale this Summer of about $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly).

Oklahoma Gas & Electric Co. (6/17)
Feb. 3 it was reported company plans to issue and sell $15,000,000 of bonds this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Tentatively expected to be received on June 17.

Pacific Gas & Electric Co.
March 20 the company announced it plans a common stock offering about the middle of this year, first to present stockholders and then to public. **Underwriter**—Blyth & Co., Inc., New York.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey,Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Pennsylvania Power Co.
March 7 it was announced company plans to sell later in 1958 $6,000,000 of additional securities. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder Peabody & Co., White, Weld & Co., Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner and Smith, and Dean Witter & Co. (jointly).

★ **Peoples Gas Light & Coke Co.**
April 7 it was reported that the company plans to issue and sell $40,000,000 of first mortgage bonds in May or June. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.

★ **Pittsburgh & Lake Erie RR. (4/24)**
Bids will be received by the company up to noon (EST) on April 24 for the purchase from it of $3,900,000 equipment trust certificates to mature in 15 equal annual instalments of $260,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Portland General Electric Co. (5/1)**
April 7 it was reported that the company plans early registration of 300,000 shares of common stock (par $7.50). **Underwriter**—Blyth & Co., Inc., New York, San Francisco and Portland, Oregon.

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Public Service Co. of Colorado (5/21)
April 3 company announced it plans to issue and sell $16,000,000 par value of cumulative preferred stock. **Proceeds**—For 1958 construction program. **Underwriters**—The First Boston Corp., Blyth & Co., Inc. and Smith, Barney & Co., all of New York. **Registration**—Planned about the end of April.

Public Service Co. of Oklahoma (5/12)
Jan. 20 it was reported company plans to issue and sell in May $16,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.: and Shields & Co. (jointly); Blyth & Co., Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp.; Glore, Forgan & Co.: Equitable Securities Co. **Bids**—Expected May 12. **Registration**—Scheduled for April 14.

Public Service Electric & Gas Co. (6/17)
March 20 it was reported that the company plans to issue and sell some additional debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Tentatively scheduled to be received on June 17. **Registration**—Expected on May 21.

Southern Nevada Power Co.
Dec. 3 it was announced company plans to raise in mid-1958 betwen $5,000,000 and $6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for $4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

● Southern Pacific Co. (4/21)
Bids are expected to be received up to noon (EST) April 21 at Room 2117, 165 Broadway, New York, N. Y. for the purchase from the company of $8,220,000 of equipment trust certificates, series No. 2 to mature annually from March 1, 1959-1973 inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Railway Co.
March 20 it was reported that the company plans to issue about $20,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder Peabody & Co., Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly).

● Tel-A-Sign Inc., Chicago, Ill.
April 8 it was announced the company plans to file with the SEC a proposal to issue 200,000 shares of common stock (par 20 cents). **Price** — To be determined at time of offering. **Proceeds**—For working capital and other corporate purposes. **Underwriters** — Charles Plohn & Co., New York, N. Y., and Clayton Securities Corp., Boston, Mass.

● Texas Co. (4/30)
March 20 it was announced that the company will issue $150,000,000 of 25-year debentures. **Proceeds**—To retire bank loans—and for other corporate purposes. **Underwriter**—Dillon, Read & Co. Inc., New York. **Registration**—Expected shortly.

Toledo Edison Co.
Jan. 20 it was reported company plans to issue and sell about $15,000,000 of first mortgage bonds in April or May of this year. **Proceeds**—To repay bank loans. **Underwriter**—If issue is not placed privately, underwriter may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; The First Boston Corp.; White, Weld & Co.

Tuttle Engineering, Inc., Arcadia, Calif.
Feb. 10, Leo L. Strecker, President, announced corporation plans issue and sale in near future of $1,000,000 convertible debentures or preferred stock, to be followed later in 1958 by the sale of about $5,000,000 of common stock. **Proceeds**—For working capital and other corporate purposes.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

United Gas Improvement Co. (5/13)
Jan. 28 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Blair & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on May 13. **Registration**—About April 11.

Virginia Electric & Power Co. (6/10)
Dec. 26 it was reported company plans to issue and sell $25,000,000 bonds or debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on June 10.

Virginian Railway Co.
March 20 it was reported that the company plans an offering of $15,000,000 of bonds, subject to ICC approval. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., Inc., and White, Weld & Co. (jointly); Shields & Co.

. Washington Gas Light Co.
March 24 it was announced company plans to issue and sell about $7,000,000 of new securities, which may include some preferred stock. **Proceeds**—For construction program. **Underwriters**—Johnston, Lemon & Co., Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan Inc. **Offering**—May be early in Summer.

Washington Natural Gas Co.
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Power & Light Co. (5/9-27)
March 17 it was announced company plans to offer to its common stockholders the privilege of subscribing for 241,211 additional common shares at the rate of one new share for each 12 shares held and to preferred stockholders, subject to allotment, an issue of 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To retire bank loans and for construction program. **Underwriters**—Smith, Barney & Co. and Robert W. Baird & Co., Inc. **Offering**—Tentatively expected in May.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Worcester Gas Light Co.
Feb. 24 it was reported company may issue and sell $5,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received sometime in April.

Our Reporter's Report

Experienced investment observers see things shaping up a bit more in favor of the seller of new securities, chiefly from a monetary angle. Consensus is that the market will be inclined to move a little higher in the next few months and that, conversely, yields will be tapering off a notch.

But there is no disposition to look for any sharp letdown in yields since it has been demonstrated that potential buyers are certain to set up strong resistance to such a trend.

Those who anticipate a firming up of prices in the weeks ahead point to the low level of yields in the short-term government market and to the supply of funds building up in banks and among insurance companies and other institutional investment organizations.

Meantime, with business generally still on the slow side and showing little signs of coming out of the present skid in a big rush, it is suggested that pressure of funds will be building up for a while to come.

Industry, it will be recalled, has cut back substantially on its capital spending plans for this year. But the fact remains, as the current substantial emission of new capital issues testifies, that the demand for such funds still is of large scale proportions.

Large industrial offerings featuring this week and last have been especially noteworthy, having pushed the erstwhile public utility favorites into the background at least temporarily.

Reported Doing Well

It appeared that brisk demand was due to make things pleasant for underwriters handling the week's four big industrial offerings. For a spell things blew hot and cold but as offering time approached, they warmed up again.

These four undertakings involved a total of some $305 million of which the largest was Aluminum Co. of America's $125 million of debentures, due up tomorrow. American Can Co.'s $80 million of 30-year debentures, priced to yield 3.75%, was next followed by Douglas Aircraft's $60 million of debentures and Joseph E. Seagram & Sons, Inc.'s $40 million of debentures.

That investors are still insisting on protection against sudden loss of income by early refunding of these issues was evident from the fact that all three carry a nonrefundable clause for the first five years barring their replacement with issues giving less than the original yield to the public.

Avoiding the Rush

Consolidated Edison Co. of New York moved this week to avoid coming to grips with a crowded new issue calendar by postponing the date for the sale of its projected $50 million of bonds.

The big utility had planned to open bids for the issue on April 22. But looking ahead, officials doubtless saw the possibility of some congestion in the market around that time. Accordingly the date for opening of bids has been set back to June 3.

The calendar does shape up a bit on the heavy side for the next fortnight.

Next Week's List

The ensuing week opens on Monday with New England Telephone & Telegraph Co. due to open bids on $45 million of new debentures. The following day brings Commonwealth Edison Co. of Chicago's $50 million of bonds up for auction.

On Wednesday Diamond Gardner Corp. will sell $25 million of debentures and Mississippi Power & Light has $15 million of bonds up for bids, while bankers are slated to market $15 million of bonds of the Belgian Congo.

New England Electric System common holders will get "rights" to subscribe for 968,549 shares of additional stock on Tuesday, while on Wednesday Atlantic City Electric has $5 million of new preferred and 120,000 shares of common on tap.

Continued from page 2

The Security I Like Best

tionally produces other related machines which make coal mining more efficient and, perhaps most important, less hazardous.

If Joy was just a producer of coal mining machinery it would be enough, but since the war it has diversified considerably and already is a leader in the manufacture of machinery for all types of mining.

Joy drills, loaders, hoists and air compressors are in continuing demand by the entire mining industry. The rapidly expanding Uranium industry has been readily serviced by Joy products. Because of the special ore-hauling requirements of uranium mining, a new four wheel drive shuttle car was recently introduced by the company and so far has met with excellent acceptance. Joy engineers are constantly in the field seeing how machines will improve both efficiency and safety in mining.

As an outgrowth of its continuing interest in the safety of miners working underground, Joy's Industrial Division has developed and marketed to all industry, products concerned with the compression, movement and cleaning of air and gas. Its compressors, fans and dust collectors are used not only in mines, but in such varied places as vehicular tunnels, flour mills, textile plants and, perhaps most dramatically, Joy fans are used for ventilating practically all Navy submarines including those that are nuclear powered as well as the Bomarc, Snark and Nike guided missiles. As the Federal Highway Program increases in intensity Joy heavy duty ventilating fans will play a major role in tunnel construction: already installed is a Joy ventilating system in the recently opened Hampton Roads-Norfolk tunnel.

Joy is also active in the petroleum industry by virtue of its line of oil drilling equipment and tools. To supplement its line of oil drills it acquired the Baash-Ross Tool Company at the end of 1954, and is now expanding its sales to the industry both in the United States and abroad.

In evaluating a company perhaps the most significant single factor is that of management. Joy, since 1951 has been among those companies rated "excellently managed" by the American Institute of Management. The President, W. L. Wearly, has worked up through the company, having most recently been Executive Vice-President and before that Vice-President in charge of sales. He directs a young, dynamic group of officers, most of whom have some engineering background.

The financial position of the company is strong, with current assets of almost $67 million against current liabilities of $18½ million. Long-term debt consists of $18,498,000 3⅝% debentures due in 1975 and there are 1,787,908 shares of $1 par common stock outstanding. Both sales and earnings were at an all-time peak in 1957, amounting to $131,105,772 and $11,342,245 respectively. This year should show a decline, however, the current price of the stock, 43, on the New York Stock Exchange, down 33 points from the high, is amply discounting this probability. Providing a current yield of almost 7% at the indicated rate of 60 cents quarterly plus an extra of 60 cents, Joy Manufacturing represents an attractive vehicle for long-term growth and offers good current income.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (per cent capacity)	April 13	§48.4	*48.6	54.2	90.3
Equivalent to—					
Steel ingots and castings (net tons)	April 13	§1,306,000	*1,312,000	1,463,000	2,310,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 28	6,264,135	6,262,885	6,841,285	7,803,015
Crude runs to stills—daily average (bbls.)	Mar. 28	¶7,038,000	7,316,000	7,560,000	8,099,000
Gasoline output (bbls.)	Mar. 28	25,427,000	24,997,000	26,429,000	26,007,000
Kerosene output (bbls.)	Mar. 28	2,226,000	2,352,000	2,775,000	2,170,000
Distillate fuel oil output (bbls.)	Mar. 28	11,363,000	11,587,000	12,155,000	12,296,000
Residual fuel oil output (bbls.)	Mar. 28	6,984,000	7,197,000	7,520,000	8,778,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 28	216,647,000	216,907,000	215,191,000	203,489,000
Kerosene (bbls.) at	Mar. 28	17,222,000	17,178,000	17,167,000	20,168,000
Distillate fuel oil (bbls.) at	Mar. 28	75,125,000	78,449,000	88,638,000	75,855,000
Residual fuel oil (bbls.) at	Mar. 28	55,165,000	55,013,000	54,208,000	37,098,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 29	532,172	533,019	553,645	694,922
Revenue freight received from connections (no. of cars)	Mar. 29	510,699	514,870	538,353	640,588
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 3	$598,495,000	$441,190,000	$365,141,000	$281,484,000
Private construction	April 3	385,189,000	196,086,000	168,294,000	127,546,000
Public construction	April 3	213,306,000	245,104,000	196,847,000	153,938,000
State and municipal	April 3	158,328,000	190,240,000	161,972,000	124,888,000
Federal	April 3	54,978,000	54,864,000	34,875,000	29,050,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 29	7,210,000	7,440,000	8,310,000	10,587,000
Pennsylvania anthracite (tons)	Mar. 29	336,000	328,000	571,000	386,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 29	114	109	100	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 5	11,326,000	11,645,000	11,793,000	11,693,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	April 3	352	327	358	231
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 1	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	April 1	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	April 1	$34.00	$35.00	$37.67	$44.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 2	24.450c	24.350c	24.225c	31.550c
Export refinery at	April 2	22.250c	21.725c	19.375c	30.025c
Lead (New York) at	April 2	12.000c	13.000c	13.000c	16.000c
Lead (St. Louis) at	April 2	11.800c	12.800c	12.800c	15.800c
‡Zinc (delivered) at	April 2	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	April 2	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	April 2	24.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	April 2	92.375c	93.500c	94.500c	99.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	April 8	96.79	95.94	94.44	91.31
Average corporate	April 8	95.62	95.47	95.62	96.85
Aaa	April 8	101.97	101.80	101.97	101.47
Aa	April 8	99.36	99.52	99.84	99.52
A	April 8	95.47	95.62	95.16	96.85
Baa	April 8	86.51	86.24	86.51	89.92
Railroad Group	April 8	91.19	91.34	91.77	95.32
Public Utilities Group	April 8	97.47	97.16	97.00	97.16
Industrials Group	April 8	98.41	98.25	98.25	97.94
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	April 8	2.78	2.85	2.97	3.23
Average corporate	April 8	4.03	4.04	4.03	3.95
Aaa	April 8	3.63	3.64	3.63	3.66
Aa	April 8	3.79	3.78	3.76	3.78
A	April 8	4.04	4.03	4.06	3.95
Baa	April 8	4.67	4.69	4.67	4.42
Railroad Group	April 8	4.33	4.32	4.29	4.05
Public Utilities Group	April 8	3.91	3.93	3.94	3.93
Industrials Group	April 8	3.85	3.86	3.86	3.88
MOODY'S COMMODITY INDEX	April 8	393.8	394.0	398.3	407.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 29	259,355	239,605	289,414	275,692
Production (tons)	Mar. 29	268,648	273,800	264,351	274,516
Percentage of activity	Mar. 29	86	88	86	92
Unfilled orders (tons) at end of period	Mar. 29	351,889	359,226	362,954	408,271
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	April 4	109.98	109.88	109.47	110.87
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 15	1,611,960	1,338,670	1,309,780	1,040,610
Short sales	Mar. 15	305,860	250,750	267,830	158,900
Other sales	Mar. 15	1,316,020	1,028,180	1,008,250	836,210
Total sales	Mar. 15	1,621,880	1,278,930	1,276,080	995,110
Other transactions initiated on the floor—					
Total purchases	Mar. 15	466,240	336,260	316,420	270,470
Short sales	Mar. 15	45,830	35,000	49,600	35,200
Other sales	Mar. 15	376,270	299,360	275,860	219,550
Total sales	Mar. 15	422,100	334,360	325,460	252,750
Other transactions initiated off the floor—					
Total purchases	Mar. 15	501,260	456,204	427,380	391,441
Short sales	Mar. 15	128,200	131,100	92,960	94,950
Other sales	Mar. 15	525,620	570,596	507,090	545,420
Total sales	Mar. 15	653,820	701,696	600,050	640,370
Total round-lot transactions for account of members—					
Total purchases	Mar. 15	2,579,460	2,131,134	2,053,580	1,702,521
Short sales	Mar. 15	479,890	416,850	410,390	289,050
Other sales	Mar. 15	2,217,910	1,898,136	1,791,200	1,599,180
Total sales	Mar. 15	2,697,800	2,314,986	2,201,590	1,888,230
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Mar. 15	1,207,693	1,117,796	1,068,724	1,003,696
Dollar value	Mar. 15	$52,854,251	$50,083,429	$47,003,911	$46,511,275
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 15	1,053,547	920,451	928,044	814,542
Customers' short sales	Mar. 15	20,284	15,145	24,192	10,757
Customers' other sales	Mar. 15	1,033,263	905,306	903,852	803,785
Dollar value	Mar. 15	$45,271,622	$39,627,658	$41,292,892	$37,037,054
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 15	297,070	235,870	276,190	203,880
Short sales	Mar. 15	------	------	------	------
Other sales	Mar. 15	297,070	235,870	276,190	203,880
Round-lot purchases by dealers—					
Number of shares	Mar. 15	447,470	472,980	412,030	418,670
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Mar. 15	794,480	736,690	740,730	412,400
Other sales	Mar. 15	11,717,540	10,232,890	9,771,580	8,390,760
Total sales	Mar. 15	12,512,020	10,969,580	10,512,310	8,803,160
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	April 1	119.6	119.8	119.4	117.0
Farm products	April 1	98.7	100.4	99.0	89.2
Processed foods	April 1	110.6	110.7	109.6	104.0
Meats	April 1	108.4	108.8	103.7	84.2
All commodities other than farm and foods	April 1	125.9	125.9	125.2	125.4

*Revised figure. ¶Includes 827,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of December	140,036	135,024	148,391
Stocks of aluminum (short tons) end of Dec.	171,145	172,105	102,789
AMERICAN GAS ASSOCIATION—For month of January:			
Total gas sales (M therms)	8,798,800	8,016,000	8,338,600
Natural gas sales (M therms)	8,483,300	7,755,800	8,049,600
Manufactured gas sales (M therms)	25,300	20,000	26,800
Mixed gas sales (M therms)	290,200	239,600	262,200
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of February	5,788,000	6,753,902	9,987,206
Shipments of steel products (net tons)—Month of January	5,215,417	5,092,913	7,809,451
AMERICAN RAILWAY CAR INSTITUTE—Month of February:			
Orders for new freight cars	294	401	6,065
New freight cars delivered	5,316	7,219	8,184
Backlog of cars on order and undelivered (end of month)	43,750	48,787	111,965
AMERICAN ZINC INSTITUTE, INC.—Month of January:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	68,354	82,343	88,078
Shipments (tons of 2,000 pounds)	59,511	68,657	80,163
Stocks at end of period (tons)	189,189	180,346	86,889
ASSOCIATION OF AMERICAN RAILROADS—Month of February:			
Locomotive units installed in service	50	120	127
New locomotive units on order (end of month)	273	443	867
COAL OUTPUT (BUREAU OF MINES)—Month of February:			
Bituminous coal and lignite (net tons)	30,630,000	37,120,000	39,410,000
Pennsylvania anthracite (net tons)	1,782,000	2,197,000	2,083,000
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of December (000's omitted)	47,061,671	46,041,836	46,174,496
Revenue from ultimate customers—month of December	$798,014,000	$773,480,000	$757,464,000
Number of ultimate customers at Dec. 31	55,171,089	55,092,196	53,994,893
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of February:			
Contracts closed (tonnage)—estimated	185,646	162,158	294,141
Shipments (tonnage)—estimated	282,576	316,742	318,971
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of February (1947-49=100)	66.9	*68.1	76.6
METAL PRICES (E. & M. J. QUOTATIONS)—March:			
Copper—			
Domestic refinery (per pound)	24.018c	24.397c	31.452c
Export refinery (per pound)	20.738c	20.079c	29.555c
††London, prompt (per long ton)	£170.137	£162.888	£239.548
††Three months, London (per long ton)	£171.220	£164.144	£239.137
Lead—			
Common, New York (per pound)	13.000c	13.000c	16.000c
Common, East St. Louis (per pound)	12.800c	12.800c	15.800c
††London, prompt (per long ton)	£74.789	£74.178	£113.104
††Three months, London (per long ton)	£74.563	£74.025	£112.345
Zinc (per pound)—East St. Louis	10.000c	10.000c	13.500c
§§Zinc, Prime Western, delivered (per pound)	10.500c	10.500c	14.000c
††Zinc, London, prompt (per long ton)	£63.488	£63.856	£96.613
††Zinc, London, three months (per long ton)	£63.557	£63.547	£94.789
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.625c	88.625c	91.375c
Silver, London (per ounce)	76.429d	76.375d	79.744d
Sterling Exchange (check)	$2.81540	$2.81572	$2.79305
Tin, New York Straits	94.514c	93.710c	99.577c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$231.692	$221.864	$255.000
¶Antimony, New York boxed	32.590c	34.408c	36.590c
Antimony (per pound), bulk Laredo	29.000c	30.818c	33.000c
Antimony (per pound), boxed Laredo	29.500c	31.318c	33.500c
Platinum, refined (per ounce)	$72.154	$74.818	$93.000
†Cadmium, refined (per pound)	$1.55000	$1.55000	$1.70000
‡Cadmium (per pound)	$1.55000	$1.55000	$1.70000
§Cadmium (per pound)	$1.55000	$1.55000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	28.100c	28.100c	27.100c
Aluminum, 99% grade primary pig	26.000c	26.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
PORTLAND CEMENT (BUREAU OF MINES)—Month of January:			
Production (barrels)	18,488,000	22,386,000	19,320,000
Shipments from mills (barrels)	13,618,000	16,834,000	11,802,000
Stocks (at end of month—barrels)	33,312,000	28,550,000	29,828,000
Capacity used (per cent)	59	73	65
RUBBER MANUFACTURERS ASSOCIATION INC.—Month of January:			
Passenger Tires (Number of)—			
Shipments	7,264,236	5,739,277	7,810,462
Production	6,740,163	6,597,263	8,298,244
Inventory	19,298,504	19,817,850	16,978,911
Truck and Bus Tires (Number of)—			
Shipments	1,007,180	820,894	1,063,800
Production	1,073,926	1,018,089	1,205,642
Inventory	3,470,460	3,407,557	3,510,759
Tractor-Implement Tires (Number of)—			
Shipments	341,838	*183,188	280,244
Production	275,693	261,067	285,825
Inventory	785,287	852,026	780,080
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	4,308,703	2,717,439	3,828,811
Production	3,343,650	2,777,860	3,364,259
Inventory	6,699,558	7,670,868	5,788,703
Tread Rubber (Camelback)—			
Shipments (pounds)	35,193,000	36,070,000	35,417,000
Production (pounds)	33,261,000	33,136,000	37,518,000
Inventory (pounds)	24,054,000	25,061,000	28,977,000
ZINC OXIDE (BUREAU OF MINES)—Month of January:			
Production (short tons)	13,252	13,238	17,464
Shipments (short tons)	12,676	10,070	15,560
Stocks at end of month (short tons)	30,308	29,732	28,097

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

Walston & Co. Opens New Milwaukee Branch

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Walston & Co., Inc. has opened a branch office in the Bankers Building. Associated with the new office are Lester B. McElhiney, Carl E. Bethke, James O. Ferry and Ray W. Myers. All were formerly with the Milwaukee office of Bache & Co., of which Mr. McElhiney was manager.

Mutual Funds

By ROBERT R. RICH

Two New Funds to Join Open-End Industry

Further evidence of the wide acceptance of the mutual fund concept as a vital force in the nation's investment structure is seen in this week's announcement of two additions to the ranks of the open-end industry. They are **The One William Street Fund, Inc.,** to be sponsored and managed by Lehman Brothers, New York City, prominently identified with the closed-end Lehman Corporation; and **The Chase Fund**, a Massachusetts Trust to be managed by John P. Chase & Co., Inc., Boston, which presently acts as investment advisor to Shareholders' Trust of Boston.

In the case of The One William Street Fund, Inc., the procedure of registering with the Securities and Exchange Commission has already been accomplished. The appropriate statement, filed on April 7, provides for the public offering of 3,000,000 shares at $12.50 per share via a nationwide syndicate headed by Lehman Brothers. Further details appear later on.

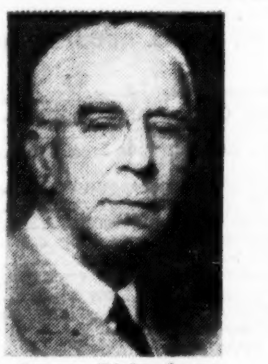
The Chase Fund

With respect to The Chase Fund, a registration statement to be filed later this month envisages the offering of 1,000,000 shares at a price of $10 per share through a syndicate formed by Shearson Hammill & Co., New York City. During the next few weeks representatives of the fund and the investment banking firm will meet with prospective underwriters in 18 cities in various parts of the country. This fund's primary objective will be capital appreciation, and its net investment income will be distributed quarterly to shareholders and any net capital gains realized from portfolio transactions will be retained and reinvested, it was stated. Trustees and advisors of the new fund will be identical with those of Shareholders' Trust. They include: G. Peabody Gardner; Earl P. Stevenson; Erle V. Daveler; Oscar W. Hausserman; Dr. Charles S. Draper; John P. Chase; Francis C. Gray, and William M. Rand.

John P. Chase

The One William Street Fund, Inc

The One William Street Fund, Inc. official roster will include Dorsey Richardson as President, and Edward B. Burr as Executive Vice-President. Continuous offering of its shares, following termination of the initial offering period, will be made by William Street



Dorsey Richardson

Edward B. Burr

Richard D. Gibson

Sales, Inc., of which Richard D. Gibson will be Vice-President and General Sales Manager and of which Mr. Richardson will be President.

The new company will be a fully managed, diversified fund designed to provide an investment program for both individual and institutional investors. At the outset, the fund will be a closed-end company but will become an open-end company after the termination of the underwriting.

Upon completion of the initial offering, it is anticipated that the fund will acquire, in exchange for shares of the fund, the assets valued at approximately $36,000,000 of Aurora Corporation, a private investment company, whose portfolio was selected with the aid of Lehman Brothers and consists of securities appropriate to the investment policy of The One William Street Fund, plus a substantial quantity of short-term U. S. Government securities representing cash awaiting investment.

According to the Registration Statement, "the fund's investment policy is based on its confidence in the long-term expansion and prosperity of American business and industry. It will seek growth of capital as well as a reasonable current return. As a fully-managed company, as distinguished from a balanced fund or a strictly common stock fund, the fund will retain freedom of action to include in its portfolio varying amounts of senior securities when such a course is deemed timely and prudent.

"Since equity securities normally afford shareholders the greatest opportunity to participate in the growth of American business, it is anticipated that the fund's portfolio will generally consist of such securities. There may, however, be periods during which the fund may deem it desirable to invest a portion of its assets in fixed income securities, awaiting favorable conditions for long-term equity investments."

Among the Directors of the new fund will be: Messrs. Paul M. Mazur, Joseph A. Thomas, Paul E. Manheim and Philip Isles, who are partners of Lehman Brothers. Other Directors already chosen are: Ernest R. Breech, John S. Bugas, Lewis D. Crusoe, William T. Gossett, Delmar S. Harder, Fred Lazarus Jr., Francis C. Reed, Dorsey Richardson, and Edwin L. Weisl. It is expected that two additional Directors will be elected to the Board shortly, raising its membership to fifteen.

Open-End Funds' Portfolios Have 80% in Equities

Common stocks account for almost 80% of the composite portfolio of open-end investment companies (mutual funds), reports the National Association of Investment Companies.

Ten years ago, at year-end 1947, 70% of member open-end company assets were invested in common stocks.

The industry's latest composite investment dollar, in addition to common stock investment, shows that six cents is invested in preferred stock, 10 cents in corporate bonds and five cents is held in cash, according to the Association.

This composite portfolio is derived from a study of the portfolios of 20 open-end investment companies representing 71.4% of the $8.7 billion of assets of all open-end company members of the Association. The study is based on latest available financial reports.

Included in the 20 companies surveyed are balanced funds as well as common stock funds. They represent a diversity of investment objectives, different rates of pursuit of these objectives and a variety of securities employed to attain them.

Ten years ago, at year-end 1947, the same 20 companies, had assets of $942,734,000 divided as follows: $659,315,000 in 71.0%, invested in common stocks, $106,685,000, or 11.5% in preferred stocks, $97,336,000, or 10.3% in bonds and $79,398,000, or 8.4% held in cash.

Investment opportunities among various security classes and industries are constantly changing, the Association points out, and investment managers make changes in holdings that reflect their evaluation of relative trends. Changes in the relative proportion of assets invested in a specific security class, or classes, industry or company may result from several factors, such as price changes in a security class and a consequent shift in emphasis on these securities by management.

2 With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robert C. Carr and Lincoln B. Hansel have become associated with Townsend, Dabney & Tyson, 30 State Street. In the past Mr. Carr was with Ralph F. Carr & Co., Inc.

"Inflation Is Not a One-Way Street"

Vance, Sanders & Co., Boston, in the current issue of "Brevits," reminds us again that while common stocks over the years have proved an excellent hedge against erosion of the dollar's purchasing power, inflation is by no means a continuous process, hence the need for investing one's funds in a manner that will also compensate for the "interim fluctuations in living costs and stock prices." The ideal vehicle, according to "Brevits," is a balanced investment program which includes "common stocks for their ability to increase in value during periods of inflation, and bonds or other fixed income types of securities for protection against undue shrinkage of principal value and income return under adverse or deflationary conditions."

Delaware Funds' Report Assets Gain

Net assets of Delaware Fund and Delaware Income Fund rose substantially in the first quarter of 1958, W. Linton Nelson of Delaware Company, the Funds' investment adviser, reports in the latest semi-monthly Directors' Letter.

Delaware Fund's assets on March 31, last, amounted to $50,575,388—an 11.8% increase over the Dec. 31 total of $45,205,410. Delaware Income Fund's resources rose 17.8% in the same period to $2,703,294 at the close of 1958's first calendar quarter from $2,293,771 three months earlier. Delaware Fund and Delaware Income Fund's respective 1957 high points were $52,602,360 on July 15 and $2,459,364 on Oct. 31.

Mr. Nelson, who is also President of both investment companies, said the latest figures reflect market appreciation of portfolio securities, augmented by net sales of shares.

The mutual fund head and investment adviser told directors there can no longer be any doubt Government will do everything in its power to restimulate the economy, irrespective of inflationary implications. The only question, he observed, is will these actions be effective and if so, how soon. "We think they will be," he said, "and are planning accordingly. We don't think the results will be seen quickly," he continued, "but we are not sure the stock market will wait for actual

results." In fact, he noted, the market—measured by the Averages—seems singularly oblivious to business' disappointing first quarter; and it may be it is again preparing itself for its historical role of forecasting a turn-about.

Mr. Nelson also wrote that the only real fear expressed by his associates recently is over what could happen on the upside if the investing public starts to believe a millennium has arrived—that a depression will never again be permitted. Believing this, he and his group reason, they could project common stock values into the stratosphere and then the thousand level in the Dow-Jones Average might be realized long before such a level is justified by earnings and dividends.

Group's Com. Stk. Fund Registers 10% per Share Gain

Total assets of The Common Stock Fund of Group Securities, Inc., sponsored by Distributors Group, Inc., rose 22.4%, to $33,374,625, during the first three months of 1958, Herbert R. Anderson, President, announced April 8. Sales of the fund were $3,553,189, he continued, constituting a 110% increase over last year's volume for the same period.

Reflecting management's selection of the 91 individual issues held for the fund, Mr. Anderson noted that per share value registered an increase of 10% during the first quarter against a general market rise of 1.7%.

As of March 31, The Common Stock Fund was 70% invested in banking and finance, food, merchandising, tobacco and utility stocks, as compared to 22% in 1954, Mr. Anderson said.

The fund's bank and finance company holdings were increased 3.2% in the past three months to 9.8% of total assets. Purchases included 3,500 shares of Bankers Trust, 5,000 Chase Manhattan, 1,500 Chemical Corn Exchange, 5,000 C.I.T., 6,000 Commercial Credit, 3,000 First National City of N. Y., 4,000 Guaranty Trust, 8,000 Hanover, 4,500 Manufacturers Trust, and 1,800 New York Trust.

A new Fact Sheet containing the latest portfolio and investment results of The Common Stock Fund of Group Securities, Inc., may be obtained from Distributors Group, Inc., 63 Wall Street, New York 5, N. Y.

Lexington Venture Fund Report

The six months report of Lexington Venture Fund discloses that total net assets rose from $1,179,422 on Aug. 31, 1957, to $1,436,365 on Feb. 28, 1958. The unrealized profits declined in this period by $152,506 to a net loss of $95,189 on Feb. 28. Gross income for the six month period equaled $14,980, while net income amounted to $8,385 after expenses of $6,594. During this period only 5,150 shares were redeemed while 52,361 new shares were sold.

Wellington Fund Reports Gains in Sales, Asset Value

For the month of March 1958, sales of Wellington Fund shares were almost a half million dollars greater than for the same month during the previous year, it was reported by A. J. Wilkins, Vice-President.

Mr. Wilkins also reported increased sales for the first quarter of 1958 over the same period for 1957.

	1957	1958
	$	$
January	9,772,298	9,223,821
February	7,753,680	8,315,238
March	7,906,272	8,408,875
Total, 3 mos.	25,432,250	25,947,934

Mr. Wilkins termed these results "unusually gratifying" particularly in view of stock market uncertainty. He added that the increased sales were another manifestation of public confidence in a well-managed balanced fund. Wellington Fund now has 242,000 shareholders, an increase of 9,000 since the beginning of 1958, thus making Wellington America's 8th largest company in number of shareholders.

The per share asset value of Wellington stock on March 31, 1958 was $11.99 as compared to $11.56 on Jan. 1, 1958, an increase of 3.7%.

Total assets of the Wellington Fund on March 31, 1958 were $651,000,000 as compared to $604,000,000 at the beginning of the year.

During 1957, redemptions of Welling shares were at the lowest rate in the past 20 years and reinvestments were at the highest level in the fund's history. Shareholders reinvested more than $9 million of income dividends and over $13 million of capital gains distributions.

Lower Reserves for Bankers' Banks Sought by Federal Reserve Board

Central banking authorities request Congress to amend Federal Reserve Act to liberalize reserve requirements and narrow differentials as between classes of banks.

Federal Reserve Board submitted a bill to Congress on April 3 to amend member bank reserve

Joseph C. Welman W. McC. Martin, Jr.

requirements against deposits which provides an answer, though not a complete one, to American Bankers Association's concern for: banks approaching a fully loaned position, growing economy's credit needs and outmoded geographical classification of member banks. Last year the A. B. A.'s Economic Policy Commission made known its concern in these and other matters and published the results of a long-term, comprehensive study of the reserves problem.

According to the Federal Reserve, in explaining the proposed amendments, the Bill would facilitate "the monetary and credit needs of a growing economy" and "permit moving gradually toward a more equitable and rational structure of reserve requirements . . ."

A. B. A. President Joseph C. Welman stated April 4, "the Commission's recommendations go considerably further, of course, than the Federal Reserve's proposal and we continue to believe that our plan for reserve reform is sound. Nevertheless, the bill presented by the Reserve authorities represents a constructive move in the right direction and definitely deserves support."

Explanation of Proposed Bill

The Federal Reserve Board explained that the proposed amendments would:

(1) Authorize the Board to permit member banks to include all or part of their vault cash holdings in their required reserves;

(2) Authorize the Board to fix the reserve requirements for demand deposits of central reserve city banks within a range of 10 to 20%, instead of the present authorized range of 13 to 26%. (For other classes of deposits at member banks, the ranges within which the Board is authorized to fix the requirements would remain as at present.)

(3) Make more flexible the Board's authority to permit individual member banks in central reserve or reserve cities to carry lower reserves than those specified for banks in such cities.

Purposes of these proposals may be briefly summarized as follows:

Vault Cash

(1) The counting of vault cash as reserves would correct a generally recognized inequity that now exists because many banks find it necessary for operating purposes to hold larger amounts of vault cash than do other banks. Since vault cash holdings and reserve balances at the Reserve Banks are interchangeable and both serve the same purpose in influencing the volume of bank credit, they should both be counted as reserves. Counting of vault cash as reserves would also have collateral advantages, such as reducing the costs of transporting and handling currency and facilitating the holding by member banks of larger stocks of currency that would be available over widely dispersed areas for use in a national emergency.

Such a provision would make possible the release of over $2 billion of reserves for all member banks. Country banks hold nearly $1.4 billion of vault cash, amounting to about 4% of their net demand deposits or over a fourth of their present required reserves, while reserve city banks as a group have vault cash holdings amounting to less than 2% of net demand deposits or a tenth of their total required reserves. The vault cash holdings of many large city banks, however, including most central reserve city banks, amount to 1% or less of their net demand deposits and but a small fraction of required reserves. Thus this provision taken alone would not only add greatly to the total supply of reserves but also would have the effect of widening and distorting existing differentials in reserve requirements as between classes of banks. It would, therefore, be necessary to put these changes into effect gradually and to accompany them by partly offsetting adjustments in the reserve requirement percentages.

(2) Under the present law, by reclassifying cities or by abolishing classifications and also by changing requirements, the Board has legal authority to alter differentials in requirements as between the broad classifications of member banks. By using this authority any undue distinctions between classes of banks may be gradually reduced. If vault cash holdings are permitted to be counted as reserves, it would have the effect of lowering the required reserves of each class of banks, but particularly of country and reserve city banks, where vault cash holdings are relatively large. The Board consequently is proposing no change in the percentage requirements as now stated in the law for these classes of banks—7 to 14% and 10 to 20%, respectively, against net demand deposits.

Lower Bankers' Banks' Reserves

It is proposed, however, that permissible requirements for central reserve city banks be lowered to the 10 to 20% range authorized for reserve city banks. A maximum requirement of 20% against net demand deposits for any bank or class of banks is believed to be adequate for any purpose under present or prospective conditions. While this amendment would retain authority for keeping three classes of banks with differential requirements against demand deposits, it would tend to encourage narrower differentials as between classes of banks.

(3) Under existing law individual member banks can be permitted to carry lower requirements if they are located in the outlying districts of central reserve or reserve cities. This provision permits the Board to alleviate inequities which arise when banks located in such outlying districts are predominantly engaged in business that is similar to that of banks with a lower reserve classification. It does not, however, permit the Board to bring equivalent relief to such banks if they are located in the central districts of reserve and central reserve cities. The amendment proposed would permit adoption of more rational criteria for exempting individual banks than can be used under existing law and thereby make possible elimination of some existing inequities.

Provide More Credit

With the amendments proposed, along with other provisions of existing law, the Board would have adequate authority to make any changes in the structure and level of reserve requirements that are likely to be appropriate under present or prospective conditions. Legislative authority with respect to both the level and structure of reserve requirements for member banks should be sufficiently flexible to enable adjustments to be made in a manner, in amounts, and at times that are consistent with the aims of monetary policy, with the international position of the country, and with the maintenance of a sound and effectively functioning banking system. Existing law with the amendments proposed would permit moving gradually toward a more equitable and rational structure of reserve requirements and toward making in the course of time any changes in the level of reserve requirements, consistent with appropriate monetary policy and sound banking practices, that may be needed to meet the monetary and credit needs of a growing economy.

Text of Bill

Text of proposed bill to revise reserve requirements follows:

A BILL

To amend section 19 of the Federal Reserve Act with respect to the reserves required to be maintained by member banks of the Federal Reserve System against deposits.

***Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 19 of the Federal Reserve Act, as amended, is further amended by striking out the provisos in the fourth and fifth paragraphs of such section, lettered (b) and (c), respectively (U.S.C., title 12, sec. 462), by changing the colon in each such paragraph to a period, and by adding after such fifth paragraph the following:**

"Notwithstanding the other provisions of this section—

"(1) The Board of Governors, under such regulations as it may prescribe, may permit member banks to count all or part of their currency and coin as reserves required under this section; and

"(2) A member bank in a reserve city may hold and maintain the reserve balances specified in paragraph (a) above and a member bank in a central reserve city may hold and maintain the reserve balances specified in paragraphs (a) or (b) above, if permission for the holding and maintaining of such lower reserve balances is granted by the Board of Governors of the Federal Reserve System, either in individual cases or under regulations of the Board, on such basis as the Board may deem reasonable and appropriate in view of the character of business transacted by the member bank."

SEC. 2. (a) The fifth paragraph of section 19 of the Federal Reserve Act, lettered (c) (U.S.C., title 12, sec. 462), is amended by striking out the word "thirteen" in such paragraph and substituting in lieu thereof the word "ten."

(b) The sixth paragraph of section 19 of the Federal Reserve Act (U.S.C., title 12, sec. 462b) is amended by striking out the words "on the date of enactment of the Banking Act of 1935."

Weston Adds Three

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS Cal.—Martin Goldstein, Arthur M. Hockler and Albert H. Holzmark are now with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Members of Congress are home doing some political fence mending in the cities, in the towns, and some are visiting the folks back in the "fork of the creeks." This is election year.

A number of members rushed home, hooked up loud speakers and hit the road to give the people a report on what is going on in Washington. The Democrats are striking blows at what they call the "Republican recession." Privately, some of them are perhaps hoping that there will not be too much of an upturn until after November general election.

Some of the Democrats — such as Democratic leader Mike Mansfield of Montana—are declaring that the Eisenhower Republican Administration has forced the Democratic leadership to go ahead with their own anti-recession program. Senator Mansfield said the program will be resumed when Congress reconvenes Monday.

"Medicine Show"

However, the Republicans are not taking the Democratic criticism lying down. Meade Alcorn, Chairman of the Republican National Committee, declares that the Democrats have been staging a big legislative "medicine show." He contends the Democrats are more interested in a "phony political pitch" than they are of passing President Eisenhower's legislative program.

Chances are that there will be no great let-up of the political back-biting until after the election.

Although there is more highway construction underway today than anytime in years, if not in history, Congress approved and sent to the White House, just before leaving for the Easter holidays, a bill to pump $1,800,000,000 in new Federal and state funds into highway construction.

Meantime, there is every indication that the overall highway program this calendar year will involve a total outlay of from $6,500,000,000 to $7,000,000,000. Of this amount some $5,000,000,000 will be devoted to actual construction.

Program not Needed

Both Democrats and Republicans dispatched requests to the White House that the President sign the Democratic sponsored measure. The new highway pump-priming bill, which got a big assist through the various segments of the highway industry, such as the American Road Builders Association, actually is not needed. The program should be kept on a pay-as-you-go basis as originally passed Congress.

Senator Albert Gore, Democrat of Tennessee, said the $1,800,000,000 bill to speed up the highway program, is by far the most important anti-recession bill passed by Congress. The measure was sent to the White House close on the heels of the signing by President Eisenhower of the $1,850,000,000 housing bill.

The American Road Builders Association, a trade organization of most of the 6,000 highway contractors in the country, says that the highway contractors and their present equipment can support $7,000,000,000 of net construction. However, the contractors can expand to support a $10,800,000,000 program in one year, $11,900,000,000 in three years.

Under terms of the bill sent to the President's desk the Bureau of Public Roads is authorized to distribute $1,500,000,000, which otherwise would not have been available until July. At the same time the bill authorizes the moving up to July the apportionment of an additional $1,600,000,000 which would not have been available until December. The various states would supply $300,000,000 of matching funds for the interstate, primary and secondary roads.

Cheaper Now?

The American Road Builders told Congress, right or wrong, that highways can be built a lot cheaper now than they can be constructed between 1960 and 1970. The trade association contends that Federal aid construction has increased 43% or about 4% a year since the end of World War II.

The proposed accelerated highway program comes at a time when gasoline tax has been declining in several states for several months, and in other states the domestic consumption of gasoline and oil has now shown its normal growth, causing tax revenues to decline in a number of states.

Seek Early Adjournment

With Congress at the halfway point, Easter time is usually regarded as the mid-term mark. Both the Senate and House worked long and hard the past month. The committees have been busy since Congress convened on Jan. 7. With the pressure of campaigning facing them, Congress is shooting for adjournment on or about July 31. This will still give those facing opposition in the two-party states a little more than three months before they face the electorate on Nov. 4.

A number of important measures are pending. Some will pass and be signed into law, while others will die on the legislative vine. In addition to the Housing and Highway bills, Congress passed a missile appropriations bill and raised the debt limit. It seems fairly certain that it will pass a reciprocal trade extension bill with bi-partisan support.

Doubtful of Passage

At this time it appears fairly certain that neither the Alaska nor Hawaii statehood bills will pass. The Alaska statehood proposal is pending before the House Rules Committee, and the Hawaii statehood proposal is pending before the Senate Interior and Insular Affairs Committee. The sweeping defense reorganization bill which the President sent to Congress is certainly in the doubtful category, although there is strong support for reorganization.

The House and Senate-approved measures raising the postal rates are awaiting a compromise. It can also be reiterated here once again that the odds are still against a tax cut at this session.

The bill to remove the regulation of natural gas by the Federal Power Commission seems as dead as a door nail at this session. Measures like the health insurance and science education are in doubt at this time. It is sometimes difficult to predict what a Congress will do.

"Difficult Decision"

President Eisenhower faced a difficult decision in vetoing the bill to freeze farm price supports, but he stood by the recommendations of Secretary of Agriculture Ezra Taft Benson. The President is convinced that Secretary Benson has been a great credit to his Administration, and despite the howls from within his own party that "Benson must go," Mr. Eisenhower has stood firmly by the cabinet officer.

While the Republicans may have lost ground in some farm states as a result of the veto, at the same time the party probably picked up substantial support from the housewives who buy the groceries.

Excise Taxes to Stay

There is marked interest at this session of Congress in pending proposals that would eliminate the Federal excise taxes on motor vehicles. However, odds are against Congress removing the taxes. Once any type of tax is levied it is almost impossible to get it eliminated. There is a series of World War II enacted taxes that were supposed to have been removed after the war. The Federal Government is still collecting them. Government bureaucrats hate to give them up, once they are levied.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"Figbar will go to any extreme to get new customers for his brokerage business!"

Louis Rubinstein Opens

NEW HYDE PARK, N. Y. — Louis Rubinstein is engaging in a securities business from offices at 917 Bryant Avenue.

With Hayden, Stone

(Special to The Financial Chronicle)

SPRINGFIELD, Mass.—John P. Pappas has become connected with Hayden, Stone & Co., 1387 Main Street. He was formerly with Paine, Webber, Jackson & Curtis.

Joins Hemphill, Noyes

(Special to The Financial Chronicle)

BOSTON, Mass. — Philip A. Davis is now with Hemphill, Noyes & Co., 10 Post Office Square.

Two With Merrill Lynch

(Special to The Financial Chronicle)

BOSTON, Mass.—John G. Higgins and Brooks Whitehouse, Jr., are now with Merrill Lynch, Pierce, Fenner & Smith, 18 Milk Street.

Tucker Anthony Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Marlow C. Carlson has become affiliated with Tucker, Anthony & R. L. Day, 74 State Street.

Business Man's Bookshelf

Climatology (Arid Zone Research No. 10)—UNESCO—Columbia University Press, 2960 Broadway, New York 27, N. Y. (cloth), $6.50; (paper), $5.

How to Pick the Right Climate—Richard M. Page—Martin Publishing Co., 20 West Jackson Boulevard, Chicago 4, Ill. (paper), $1.

Italian Affairs—January 1958 issue containing articles on Parliamentary Enquiry into Labor Conditions; Automobile Industry; Tourism and its Contribution to Italian Economy, etc.—Italian Affairs, 57 Via Veneto, Rome, Italy, 15c per copy; $1 per year.

Japan's Postwar Economy—Jerome B. Cohen—Indiana University Press, Bloomington, Ind., East and West Shop, 132 East 61st Street, New York 21, N. Y., $6.50.

Materials Handling Applications—D. Oliphant Haynes — Chilton Book Division, 56th and Chestnut Streets, Philadelphia 39, Pa., $12.50.

National Foreign Trade Council Record for 1957—National Foreign Trade Council Inc., 111 Broadway, New York 6, N. Y.

Problems of Humid Tropical Regions — UNESCO — Columbia University Press, 2960 Broadway, New York 27, N. Y., $3.

Radio-TV; Perils to Prosperity—Anthony B. Meany, Sr.—Pageant Press, 130 West 42nd Street, New York 36, N. Y., $3.

Savings and Loan Annals, 1957—United States Savings and Loan League, 221 North La Salle St., Chicago 1, Ill. (cloth), $5.

Spotlight on Women in the United States, 1956-7 — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 30c.

Study of Tropical Vegetation — UNESCO—Columbia University Press, 2960 Broadway, New York 27, N. Y., $6.

Supervisor's Thinking on Current Issues — National Management Association, 321 West First Street, Dayton 2, Ohio (paper), 50c.

Supply and Demand — Hubert Henderson—University of Chicago Press, 2750 Ellis Avenue, Chicago 37, Ill. (cloth), $2.25.

Tensions in the Middle East — Edited by Philip W. Thayer — The Johns Hopkins Press, Homewood, Baltimore 18, Md. (cloth), $5.50.

Trade Policy in Crisis—Raymond Vernon — International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), on request.